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Hydoo 毅德控股

HYDOO INTERNATIONAL HOLDING LIMITED

毅德國際控股有限公司

(於開曼群島註冊成立的有限責任公司)

(股份代號：1396)

海外監管公告

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

茲提述毅德國際控股有限公司(「本公司」)日期為二零一五年十二月二日及二零一五年十二月八日有關票據發行的公告(「該等公告」)。除非另有界定，否則本公告所用詞彙具有該等公告所賦予的相同涵義。

請參閱隨附日期為二零一五年十二月八日有關票據發行的發售通函(「發售通函」)，該發售備忘錄已於二零一五年十二月十七日於新加坡交易所有限公司的網站發佈。

在聯交所網站刊登發售通函僅旨在向香港投資者同步發佈資訊及為遵守上市規則第13.10B條的規定，並無其他目的。

發售通函並不構成於任何司法權區向公眾人士提呈出售任何證券的招股章程、通告、通函、小冊子或廣告，或作為向公眾人士提呈以供認購或購買任何證券的邀請，亦不得視作公眾人士提呈認購或購買任何證券的邀請。

發售通函不得被視作認購或購買本公司任何證券的誘因，且並不存任何誘因。不應按發售通函所載資料作出任何投資決定。

承董事會命
毅德國際控股有限公司
董事長兼執行董事
王健利

香港，二零一五年十二月十七日

於本公告日期，本公司執行董事為王健利先生、王德文先生及黃德宏先生；本公司非執行董事為袁兵先生及王威先生；及本公司獨立非執行董事為趙立華先生、王連洲先生及林智遠先生。

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE UNITED STATES.

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

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

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

The following offering circular 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 following offering circular has been prepared on the basis that all offers of the securities made to persons in any member state of the European Economic Area which has implemented the EU Prospectus Directive will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the securities.

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

The communication of the attached document and any other document or materials relating to the issue of the securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, any person in the United Kingdom other than (i) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); and (ii) high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other persons should not act on this document or any of its contents. This document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any other purpose.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and Morgan Stanley & Co. International plc and SC Lowy Financial (HK) Ltd. as initial purchasers (the "Initial Purchasers") or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently the Initial Purchasers, or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

US\$100,000,000

Hydoo 毅德控股**Hydoo International Holding Limited**
毅德國際控股有限公司*(incorporated in the Cayman Islands with limited liability)***13.75% Senior Notes due 2018**Issue Price: 99.404%
plus accrued interest, if any, from the issue date

Our 13.75% Senior Notes due 2018 (the “Notes”) will bear interest from December 15, 2015 at 13.75% per annum payable semi-annually in arrears on June 15 and December 15 of each year, beginning June 15, 2016. The Notes will mature on December 15, 2018.

The Notes are senior obligations of Hydoo International Holding Limited (the “Company”), guaranteed by certain of our existing subsidiaries (the “Subsidiary Guarantors”), other than (1) those organized outside the laws of the People’s Republic of China and (2) certain other subsidiaries specified in “Description of the Notes.” We refer to the guarantees by the Subsidiary Guarantors as the “Subsidiary Guarantees.” Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time and from time to time prior to December 15, 2018, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company at a redemption price of 113.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may redeem the Notes, in whole but not in part, at any time prior to December 15, 2018, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus a premium as set forth in this offering circular plus accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined herein), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

The Notes will (1) be senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) be 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), (3) guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations, (4) be effectively subordinated to secured obligations (if any, other than Permitted *Pari Passu* Secured Indebtedness) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral) and (5) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

For a more detailed description of the Notes, see “Description of the Notes” beginning on page 150.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 14.

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

Moody’s Investors Service, Inc. (“Moody’s”) has assigned a corporate rating of “B2” to the Company with a stable outlook, Standard & Poor’s Ratings Services (“S&P”) has assigned a corporate rating of “B” to the Company with a stable outlook, and Fitch Ratings Ltd. (“Fitch”) has assigned a corporate rating of “B” to the Company with a stable outlook. The Notes are expected to be rated “B3” by Moody’s, “B-” by S&P and “B” by Fitch. These ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the relevant rating organization.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been and will not be registered under the United States 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 and applicable state securities laws. The Notes are being offered and sold by the Initial Purchasers (as defined herein) only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see “Transfer Restrictions.”

It is expected that the delivery of the Notes will be made through the facilities of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream”), on or about December 15, 2015 against payment therefor in immediately available funds.

*Sole Global Coordinator***Morgan Stanley***Joint Bookrunners and Joint Lead Managers***Morgan Stanley****SC Lowy**

TABLE OF CONTENTS

	Page
SUMMARY	1
THE OFFERING	3
SUMMARY CONSOLIDATED FINANCIAL DATA	10
RISK FACTORS	14
USE OF PROCEEDS	44
EXCHANGE RATE INFORMATION	45
CAPITALIZATION AND INDEBTEDNESS	47
SELECTED CONSOLIDATED FINANCIAL DATA	48
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	51
INDUSTRY OVERVIEW	78
CORPORATE STRUCTURE	84
BUSINESS	85
REGULATION	108
MANAGEMENT	135
PRINCIPAL SHAREHOLDERS	143
RELATED PARTY TRANSACTIONS	145
DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS	146
DESCRIPTION OF THE NOTES	150
TAXATION	216
PLAN OF DISTRIBUTION	219
TRANSFER RESTRICTIONS	223
RATINGS	224
LEGAL MATTERS	225
INDEPENDENT AUDITOR	226
GENERAL INFORMATION	227
INDEX TO FINANCIAL INFORMATION	F-1

NOTICE TO INVESTORS

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

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

The communication of this offering circular and any other document or materials relating to the issue of the 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. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, any person in the United Kingdom other than (i) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); and (ii) high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as “Relevant Persons”). This offering circular is directed only at Relevant Persons. Other persons should not act on this offering circular or any of its contents. This offering circular is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, MORGAN STANLEY & CO. INTERNATIONAL PLC, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, AND NOT FOR US OR ON OUR BEHALF.

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

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

No representation or warranty, express or implied, is made by any of Morgan Stanley & Co. International plc and SC Lowy Financial (HK) Ltd. (the “Initial Purchasers”), Citicorp International Limited (the “Trustee”), Citibank, N.A., London Branch (the “Paying and Transfer Agent”), Citigroup Global Markets Deutschland AG (the “Registrar,” and together with the Paying and Transfer Agent, the “Agents”) or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering circular is, or should be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers, the Trustee and the Agents

have not independently verified any of the information contained in this offering circular, and to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or the issue and offering of the Notes. The Initial Purchasers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in contract or tort or otherwise which they might otherwise have in respect of this offering circular or any such statement.

Prospective investors in the Notes should rely only on the information contained in this offering circular. Neither we nor the Initial Purchasers have authorized the provision of information different from that contained in this offering circular, to give any information or to make any representation not contained in or not consistent with this offering circular or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by us or the Initial Purchasers. The information contained in this offering circular is accurate in all material respects only as of the date of this offering circular, regardless of the time of delivery of this offering circular or of any sale of the Notes. Neither the delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that there has not been a change in our affairs and those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof. The Initial Purchasers, the Trustee and the Agents expressly do not undertake to review our financial condition or affairs during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

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

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

The Notes are being offered and sold by the Initial Purchasers only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. We are not, and the Initial Purchasers are not, making an offer to sell the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this offering circular and the offering of the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, may in certain jurisdictions be restricted by law. Persons into whose possession this offering circular comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of the restrictions on offers, sales and resales of the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, and distribution of this offering circular, see "Transfer Restrictions" and "Plan of Distribution" below.

This offering circular summarizes certain material documents and other information, and investors should refer to them for a more complete understanding of what is discussed in this offering circular. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. None of the Company, the Initial Purchasers, the Trustee or the Agents or our or their respective directors or advisors are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Notes.

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein.

In this offering circular, the term “Company” refers to Hydo International Holding Limited, the term “Group” refers to Hydo International Holding Limited and its subsidiaries, and the terms “we,” “us,” “our,” and words of similar import refer to Hydo International Holding Limited, or Hydo International Holding Limited and its subsidiaries, as the context requires. The term “Controlling Shareholders” refers to, collectively, Mr. Wong Choihing, Mr. Wang Dewen, Mr. Wang Jianli, Mr. Wang Quanguang, Mr. Wang Desheng, Mr. Wang Dekai, Mr. Huang Dehong and Mr. Wong Sheungtak, Most Trend Holdings Limited and Eminent Ascend Limited. The term “Wang Family Group” refers to Mr. Wong Choihing and his siblings and their families who commenced the development and operation of trade center projects in China in 1995.

References to “U.S. dollars” and “US\$” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”). References to “Renminbi” or “RMB” are to Renminbi, the official currency of the People’s Republic of China (“China” or the “PRC”). References to “Hong Kong dollars” or “HK\$” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong”).

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

In addition, in this offering circular, unless the context otherwise requires, the following terms shall have the meanings set out below:

- “CBRC” means China Banking Regulatory Commission;
- “Convertible Notes” means the 7.00% convertible notes in principal amount of US\$120,000,000 due 2020 that the Company issued to Pingan Real Estate Capital Limited (formerly known as Pingan Real Estate (Hong Kong) Company Limited) in January 2015;
- “Listing Rules” means the Rules Governing the Listing of Securities on SEHK (as amended or supplemented from time to time);
- “PBOC” means the People’s Bank of China, the central bank of the PRC; and
- “SEHK” means The Stock Exchange of Hong Kong Limited.

In this offering circular, 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 totals 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.

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), which differ in certain respects from generally accepted accounting principles in certain other countries.

We prepare and publish our consolidated financial statements in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.2000 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2015. All such translations in this offering circular 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 vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

INDUSTRY AND MARKET DATA

This offering circular includes market share and industry data and forecasts that we have obtained from both public and private sources, including industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. While reasonable actions have been taken by us to ensure that the information is extracted accurately and in its proper context, it has not been independently verified by us or the Initial Purchasers or our or the Initial Purchasers’ respective directors and advisors, and neither we, the Initial Purchasers nor our or the Initial Purchasers’ 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.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this offering circular. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business strategies and prospects;
- future developments, trends and competition in the real estate industry in the PRC;
- projects under development or planned for future development;
- our strategy, business plans, objectives and goals;
- our ability to meet the changing needs of our customers;
- our ability to enter into new geographic markets and expand our operations;
- our expected results of operations, financial conditions and capital expenditure plans;
- our dividend distribution plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices, volumes, margins, risk management and overall market trends and conditions;
- the prospective financial information regarding our business;
- the amount and nature of, and potential for, future development of our business;
- general economic conditions in the PRC and globally; and
- changes to regulatory and operating conditions in the markets in which we operate.

In some cases we use words such as “believe,” “seek,” “intend,” “anticipate,” “project,” “forecast,” “plan,” “potential,” “will,” “may,” “should,” “going forward,” “expect” and other similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this offering circular, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. The risks and uncertainties in this regard include those identified in the “Risk Factors” section in this offering circular. Actual results may differ materially from information contained in forward-looking statements as a result of numerous factors, including, without limitation, those described in the section headed “Risk Factors” and the following:

- changes in long-term expectation of demand for trade center projects;
- our relationships with our end customers;
- supply and demand changes in raw materials and labor;
- our ability to develop and sell new projects;
- our plans and objectives for future projects;
- our project development schedules;
- environmental as well as health and safety laws and regulations;
- our liquidity and financial condition;
- competition;

- the effects of changes in currency exchange rates;
- changes in political, economic, legal and social conditions; and
- economic growth, inflation and the availability of credit.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this offering circular, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this offering circular might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this offering circular are qualified by reference to this cautionary statement.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

We have been advised by our Cayman Islands legal advisor, Maples and Calder, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

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

We have been advised by our Hong Kong legal advisor, Kirkland & Ellis, that there is doubt as to the enforceability in Hong Kong in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the United States.

We have also been advised by our PRC legal advisor, Global Law Office, that there is uncertainty as to whether the courts of the PRC would (i) enforce judgments of U.S. court obtained against us, our directors or officers, the Subsidiary Guarantors or their directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, the Subsidiary Guarantors or their directors or officers predicated upon the U.S. federal or state securities laws.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain technical terms used in this offering circular in connection with the Company. Such terms and their meanings may not correspond to standard industry definitions or usage.

“accommodation value”	accommodation value based on saleable GFA during a specified period is calculated by dividing (i) the total acquisition cost of the land with respect to which the land-use rights were acquired during such period by (ii) the total planned saleable GFA of properties planned for such land
“construction work commencement permit”	construction work commencement permit issued by local construction committees or equivalent authorities in China
“construction work planning permit”	construction work planning permit issued by local urban zoning and planning bureaus or equivalent authorities in China
“GFA”	gross floor area
“land grant contract”	state-owned land-use rights grant contract between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus
“land-use rights certificate”	the state-owned land-use rights certificate issued by local regulatory authorities administering land resource matters
“large-scale trade centers”	trade centers with an aggregate GFA of more than 400,000 sq.m.
“LAT”	land appreciation tax
“saleable GFA”	GFA of properties that are saleable pursuant to PRC laws and regulations
“Savills Report”	an industry report dated August 31, 2015 commissioned by us from Savills Valuation and Professional Services Limited, a private independent research firm
“sq.m.”	square meter
“trade centers”	commercial projects with wholesale trading market as the primary type of constituent building; such projects may include certain other forms of constituent buildings, such as shopping malls, exhibition and conference centers, hotels, office buildings, residential properties, warehouses and other commercial and logistics properties. As used in this Offering circular, trade centers consist of (i) completed properties which have not been fully sold and delivered, (ii) properties under development and (iii) properties held for future development

SUMMARY

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

Our Business

We are a leading developer and operator of large-scale trade centers in China. As of June 30, 2015, we were simultaneously developing and operating 13 projects in nine provinces and autonomous regions in China, ten of which were large-scale trade centers. We ranked first based on our number of large-scale trade centers in China and ranked second based on our aggregate estimated and uncompleted GFA of large-scale trade centers in China as of December 31, 2014, according to the Savills Report. As of June 30, 2015, we had a total land bank of 10.4 million sq.m.

Our business focuses on the development and operation of large-scale trade centers in third- and fourth-tier, and selected second-tier, cities in China. We currently generate most of our turnover through the sales of properties, and we expect to generate an increasing portion of turnover through rental income in the future. We seek to develop each trade center project into the largest integrated commercial complex in the local region for the wholesale and retail sale of a wide range of products including hardware, electric tools, building materials, furniture and home furnishings, home electronics, apparel and small goods. We design our trade centers to seamlessly integrate the wholesale trading market properties with other on-site facilities such as shopping malls, exhibition and conference centers, hotels, residential and office space, warehouses and other logistics facilities.

Our business is strategically positioned to benefit from two significant industry and regulatory trends in China—a shift in the government’s urbanization focus from major cities to small- and mid-sized cities and increasing government support for the development of wholesale markets. In the Twelfth Five-Year Plan (2011-2015), the PRC government announced its focus on the urbanization of small- and mid-sized cities. We believe the urbanization of small- and mid-sized cities will be one of the major drivers for China’s economic growth in the coming decade. The urbanization of these cities will require a more streamlined flow of goods, the creation of efficient wholesale networks and a significant increase in domestic consumption—changes that our trade center projects are well positioned to facilitate. In addition, the government adopted a policy of increasing domestic consumption and explicitly stated its plan to promote integrated wholesale trading markets and large-scale trade and logistics enterprises. According to the Savills Report, the trade center industry is growing rapidly as evidenced by the fact that the total GFA of trade centers in China more than doubled and gross merchant sales of trade centers more than tripled between 2005 and 2013. We have a proven business model that focuses on property sales to owners of small and medium-sized enterprises (“SMEs”), in regions where we develop and operate our trade centers. We are committed to the long-term success of our trade center projects by catering to the preferences of SMEs in these regions in China to own, instead of lease, properties to conduct their businesses. We plan the early stages of our development projects to consist primarily of properties for sale, such as wholesale trading market units, and seek to sell the vast majority of our properties to SMEs who will actively conduct business at our trade centers. As a result, the continued growth of our customers’ businesses is firmly supported by the bustling commercial environment at our trade centers which we believe contributes to the value appreciation of their purchased properties. Sales proceeds from the earlier stages of our development projects also significantly reduce our dependence on alternative financial resources to meet our working capital requirements. The success of our initial-stage sales and the development of an active trading environment also allow us to increase the sales and lease prices of our properties and capture higher property value in later development stages. As our current development projects enter later phases of development, typically three to five years after the initial development, we plan to retain a proportion of trade center properties as investment properties for long-term recurring income and capital appreciation.

Our projects typically receive strong support from various government authorities, reflecting the scale of our trade center projects, our compelling value propositions and our management’s depth of experience in developing trade center projects that we believe have benefited the local economies. Local government authorities’ recognition of our value proposition, coupled with our strong execution capability including our disciplined approach to land selection and acquisition process, is reflected in our ability to consistently acquire high quality land at competitive costs. In addition, in line with the common

practice for local governments to provide monetary support to trade center developers in China, we have historically received significant government grants in support of our trade center projects and expect to continue to receive government grants for our existing trade center projects. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Government Grants.”

In 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our turnover was RMB1,607.1 million, RMB4,756.5 million, RMB3,360.2 million (US\$542.0 million), RMB974.1 million and RMB950.2 million (US\$153.3 million), respectively. Our profit for the period was RMB214.8 million, RMB1,176.0 million and RMB506.5 million (US\$81.7 million), RMB219.1 million and RMB280.7 million (US\$45.3 million) over the same respective periods. Our gearing ratio (calculated as total interest bearing borrowings (includes bank loans and other borrowings, redeemable convertible preference shares and convertible notes) divided by total assets) was 25.9%, 8.0%, 13.2%, 15.1% and 19.8% during the same respective periods. In the six months ended June 30, 2015, turnover from the sale of properties was the largest segment of our operations by revenue, amounting to RMB926.6 million (US\$149.5 million) and representing 97.5% of our total revenue.

Competitive Strengths

We believe that our success and our ability to capitalize on future growth opportunities are attributable to our competitive strengths listed below. We believe these strengths distinguish us from our peers and competitors and enable us to effectively maintain our position and growth in the PRC trade center industry.

- Market leader in the large-scale trade center development industry in China;
- Proven business model with compelling value propositions to SMEs;
- Well-positioned to take advantage of significant market opportunities and strong government support;
- Large Quantity of high quality land acquired at competitive costs;
- Strong project development execution capabilities; and
- An experienced management team with strong support from leading institutional investors.

Business Strategies

Our goal is to strengthen our leading position in the large-scale trade center development industry in China. To achieve this goal, we intend to implement the following strategies:

- Continue to expand into new cities with rapid economic growth, both within and beyond the PRC;
- Continue to attract high-quality customers and enhance services to increase traffic flow and trading activities;
- Expand into complementary businesses to grow our business platform;
- Promote “Hydoo” (毅德) brand image and engage in active marketing activities; and
- Take advantage of the “Belt and Road” initiative.

General Information

We were incorporated as an exempted company under the laws of the Cayman Islands on October 19, 2010. On October 31, 2013, we listed our ordinary shares on the Main Board of the SEHK. Our principal place of business in Hong Kong is located at Unit 2107 Hutchison House, 10 Harcourt Road, Central, Hong Kong, and our telephone number is (852) 2885 9877. Our website address is www.hydo.com.cn. Information contained on our website does not form part of this offering circular.

THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering circular. Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer	Hydoo International Holding Limited.
Notes Offered	US\$100,000,000 aggregate principal amount of 13.75% senior notes due 2018 (the “Notes”).
Issue Price	99.404% of the principal amount of the Notes.
Maturity Date	December 15, 2018.
Interest	The Notes will bear interest from and including December 15, 2015 at the rate of 13.75% per annum, payable semiannually in arrears.
Interest Payment Dates	June 15 and December 15 of each year, commencing June 15, 2016.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none">• general obligations of the Company;• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);• guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “Description of the Notes—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, other than Permitted Pari Passu Secured Indebtedness) 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.
Subsidiary Guarantees and JV Subsidiary Guarantees	Each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any, and subject to the JV Entitlement Amount) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

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

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Restricted Subsidiaries other than the Initial Non-Guarantor Subsidiaries. The initial Subsidiary Guarantors are holding companies that do not have significant operations. None of Zhuo Ying Limited (卓盈有限公司) (the “Initial Other Non-Guarantor Subsidiaries”) and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the “PRC Non-Guarantor Subsidiaries,” and together with the Initial Other Non-Guarantor Subsidiaries, the “Initial Non-Guarantor Subsidiaries”) will be a Subsidiary Guarantor on the Original Issue Date.

No 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.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), promptly upon such future Restricted Subsidiary becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a “New Non-Guarantor Subsidiary,” 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 Other Non-Guarantor Subsidiaries do not account for more than 10.0% of the Total Assets of the Company.

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

Ranking of Subsidiary

Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

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

Ranking of JV Subsidiary

Guarantees

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, if any, to the extent of the value of the assets serving as security therefor;
- will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, 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, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, 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 and unsubordinated Indebtedness pursuant to applicable law).

Security to be Guaranteed ...

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 owned by the Company or the initial Subsidiary Guarantor Pledgors (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 Guarantor Pledgors under the Convertible Notes, the Notes and the Subsidiary Guarantees and the Permitted *Pari Passu* Secured Indebtedness.

The initial Subsidiary Guarantor Pledgors are Abundant Idea Investments Limited (訊溢投資有限公司), Trade Logistics Enterprises Limited (業運企業有限公司), Copious Epoch Limited (世溢有限公司) and Jiayue Limited (佳粵有限公司).

Intercreditor Agreement

On the Original Issue Date, the Company, the initial Subsidiary Guarantor Pledgors, Citicorp International Limited as the security agent (the “Security Agent”), the Trustee and the trustee of the Convertible Notes will enter into an intercreditor agreement (as may be amended or supplemented from time to time, the “Intercreditor Agreement”), which will provide (1) that the Notes, the Convertible Notes and the Permitted *Pari Passu* Secured Indebtedness shall share equal priority and *pro rata* entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced.

Use of Proceeds	<p>We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$96.5 million. We intend to use the net proceeds for financing the acquisition of land-use rights and development of our projects under development and projects held for future development, for repayment of debts and for general corporate purposes.</p> <p>We may adjust our development plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest such net proceeds in Temporary Cash Investments as defined under “Description of the Notes.”</p>
Optional Redemption	<p>At any time and from time to time prior to December 15, 2018, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.</p> <p>At any time and from time to time prior to December 15, 2018, the Company may redeem up to 35% of the principal amount of the Notes with the Net Cash Proceeds of one or more sales of its Common Stock in an Equity Offering at a redemption price of 113.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; <i>provided</i> that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.</p>
Repurchase of Notes Upon a Change of Control Triggering Event	<p>Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes 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. See “Description of the Notes—Repurchase of Notes Upon a Change of Control Triggering Event.”</p>

Additional Amounts All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, collected, withheld, assessed or levied by any jurisdiction in which the Company, a Surviving Person (as defined under “Description of the Notes—Additional Amounts—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) (each, as applicable, a “Relevant Jurisdiction”), or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. Subject to certain exceptions, in the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note, the Subsidiary Guarantors or the JV Subsidiary Guarantors, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required.

Redemption for Taxation

Reasons Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, at any time, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption, if the Company or a Surviving Person would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “Description of the Notes—Redemption for Taxation Reasons.”

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

- incur 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;
- create liens;
- create encumbrance or restriction on the Restricted Subsidiaries’ ability to pay dividends, pay indebtedness, transfer assets or make intercompany loans;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee additional indebtedness;

- enter into sale and leaseback transactions;
- sell assets;
- enter into transactions with shareholders and affiliates;
- engage in any business other than permitted business; and
- effect a consolidation or merger.

These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes—Certain Covenants.”

Transfer Restrictions The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”

Form, Denomination and Registration The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by a global note deposited with a common depository and registered in the name of the common depository or its nominee. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream.

Book-entry Only The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes—Book-Entry; Delivery and Form.”

Delivery of the Notes The Company expects to make delivery of the Notes, against payment in same-day funds on or about December 15, 2015, which the Company expects will be the fifth business day following the date of this offering circular referred to as “T+5.” You should note that initial trading of the Notes may be affected by the “T+5” settlement. See “Plan of Distribution.”

Trustee Citicorp International Limited.

Paying and Transfer Agent .. Citibank, N.A., London Branch.

Registrar Citigroup Global Markets Deutschland AG.

Listing and Trading Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000.

Ratings Moody’s has assigned a corporate rating of “B2” to the Company with a stable outlook, S&P has assigned a corporate rating of “B” to the Company with a stable outlook, and Fitch has assigned a corporate rating of “B” to the Company with a stable outlook. The Notes are expected to be rated “B3” by Moody’s, “B-” by S&P and “B” by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Security Codes	ISIN	Common Code
	XS1332095659	133209565
Governing Law	Each of the Notes 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 security documents pursuant to which the Capital Stock of the Subsidiary Guarantors are pledged as described under “Description of the Notes—Security” is expected to be governed under the laws of Hong Kong.	
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”	

SUMMARY CONSOLIDATED FINANCIAL DATA

The summary consolidated statement of profit or loss for the years ended December 31, 2012, 2013 and 2014 and the summary consolidated statement of financial position as of December 31, 2012, 2013 and 2014 below have been derived from our audited consolidated financial statements included elsewhere in this offering circular. The summary consolidated statement of profit or loss for the six months ended June 30, 2014 and 2015 and the summary consolidated statement of financial position as of June 30, 2015 below have been derived from our unaudited consolidated financial statements included elsewhere in this offering circular. These unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of our management, include all adjustments considered necessary for a fair presentation of the financial position and results of operations for such periods. Results for interim periods are not indicative of results for the full year. You should read the summary financial data below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this offering circular. Historical results are not necessarily indicative of results that may be achieved in any future period. Our consolidated financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

Summary of Consolidated Statement of Profit or Loss

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Turnover	1,607,114	4,756,464	3,360,189	541,966	974,115	950,165	153,252
Cost of sales	(830,843)	(1,824,109)	(1,961,163)	(316,317)	(354,229)	(511,981)	(82,578)
Gross profit	776,271	2,932,355	1,399,026	225,649	619,886	438,184	70,674
Other revenue	1,377	5,353	5,655	912	3,576	64,138	10,345
Other net income	(5)	14,562	43,652	7,041	32,875	1,106	178
Selling and distribution expenses	(62,220)	(129,464)	(182,263)	(29,397)	(72,880)	(82,791)	(13,353)
Administrative and other operating expenses	(194,366)	(335,572)	(439,797)	(70,935)	(218,289)	(239,535)	(38,635)
Profit from operations before fair value gain on investment properties	521,057	2,487,234	826,273	133,270	365,168	181,102	29,209
Fair value gain upon transfer of completed properties held for sale to investment properties ...	–	–	–	–	–	277,643	44,781
Profit from operations after fair value gain on investment properties	521,057	2,487,234	826,273	133,270	365,168	458,745	73,990
Share of loss of a joint venture ...	(3,111)	–	–	–	–	–	–
Gain on disposal of a subsidiary .	306,551	–	–	–	–	–	–
Finance income	1,374	11,079	19,993	3,225	7,837	7,396	1,193
Finance costs	(73,241)	(70,183)	(8,840)	(1,426)	(808)	(65,263)	(10,526)
Fair value change on embedded derivative on redeemable convertible preference shares ..	(292,348)	(103,271)	–	–	–	–	–
Fair value change on embedded derivative component of the Convertible Notes	–	–	–	–	–	59,264	9,559
Profit before taxation	460,282	2,324,859	837,426	135,069	372,197	460,142	74,216
Income tax expense	(245,491)	(1,148,896)	(330,961)	(53,381)	(153,114)	(179,448)	(28,943)
Profit for the year/period	214,791	1,175,963	506,465	81,688	219,083	280,694	45,273

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Profit attributable to:							
Equity owners of our Company ..	216,506	1,177,782	512,053	82,589	220,896	271,081	43,723
Non-controlling interests	(1,715)	(1,819)	(5,588)	(901)	(1,813)	9,613	1,550
Other comprehensive income for the year/period (after tax and reclassification adjustments)							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of financial statements of subsidiaries outside Mainland China, net of nil tax	893	11,576	13,449	2,169	6,903	1,413	228
Available-for-sale investments:							
Net movement in fair value reserve	—	—	—	—	4,790	—	—
Total comprehensive income for the year/period	<u>215,684</u>	<u>1,187,539</u>	<u>519,914</u>	<u>83,857</u>	<u>230,776</u>	<u>282,107</u>	<u>45,501</u>
Attributable to:							
Equity owners of our Company ..	217,399	1,189,358	525,502	84,758	232,562	272,494	43,951
Non-controlling interests	(1,715)	(1,819)	(5,588)	(901)	(1,786)	9,613	1,550
	<u>215,684</u>	<u>1,187,539</u>	<u>519,914</u>	<u>83,857</u>	<u>230,776</u>	<u>282,107</u>	<u>45,501</u>

Summary of Consolidated Statement of Financial Position

	As of December 31,				As of June 30,	
	2012	2013	2014		2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
ASSETS						
Non-current assets						
Property, plant and equipment	45,647	61,031	92,704	14,952	78,855	12,719
Investment properties	–	–	–	–	760,000	122,581
Intangible assets	441	1,329	3,038	490	4,144	668
Goodwill	–	2,252	3,631	586	3,631	586
Other non-current financial assets	19,800	23,618	25,779	4,158	31,187	5,030
Deferred income tax assets	122,247	213,913	293,572	47,350	335,011	54,034
Prepayment for acquisition of property, plant and equipment	–	–	368,535	59,441	368,535	59,441
	<u>188,135</u>	<u>302,143</u>	<u>787,259</u>	<u>126,977</u>	<u>1,581,363</u>	<u>255,059</u>
Current assets						
Inventories	3,303,546	5,390,826	7,688,692	1,240,112	8,633,815	1,392,551
Current tax assets	95,230	111,762	188,991	30,482	212,644	34,297
Trade and other receivables, prepayments and deposits	948,577	682,941	1,133,893	182,886	1,539,213	248,260
Amounts due from related parties	796	–	–	–	–	–
Restricted cash	22,442	103,031	198,155	31,960	248,300	40,048
Available-for-sale investments	–	120,000	37,000	5,968	600	97
Cash and cash equivalents	584,379	4,292,994	1,819,029	293,392	1,402,993	226,289
	<u>4,954,970</u>	<u>10,701,554</u>	<u>11,065,760</u>	<u>1,784,800</u>	<u>12,037,565</u>	<u>1,941,542</u>
Total assets	<u>5,143,105</u>	<u>11,003,697</u>	<u>11,853,019</u>	<u>1,911,777</u>	<u>13,618,928</u>	<u>2,196,601</u>
EQUITY						
Capital and reserves						
Share capital	365	31,945	31,825	5,133	31,825	5,133
Reserves	949,417	4,389,126	4,260,304	687,146	4,341,439	700,232
Total equity attributable to equity shareholders of the Company	949,782	4,421,071	4,292,129	692,279	4,373,264	705,365
Non-controlling interests	106,285	10,717	81,034	13,070	170,647	27,524
Total equity	<u>1,056,067</u>	<u>4,431,788</u>	<u>4,373,163</u>	<u>705,349</u>	<u>4,543,911</u>	<u>732,889</u>
LIABILITIES						
Non-current liabilities						
Bank loans and other borrowings	60,000	602,000	1,192,600	192,355	1,194,000	192,581
Convertible Notes	–	–	–	–	701,133	113,086
Deferred income	3,316	5,843	5,843	942	6,851	1,105
Redeemable convertible preference shares	581,412	–	–	–	–	–
Embedded derivative liabilities on redeemable convertible preference shares	292,502	–	–	–	–	–
Deferred tax liabilities	–	63,038	–	–	69,410	11,195
	<u>937,230</u>	<u>670,881</u>	<u>1,198,443</u>	<u>193,297</u>	<u>1,971,394</u>	<u>317,967</u>
Current liabilities						
Trade and other payables	1,712,620	3,828,104	3,975,215	641,164	4,550,736	733,989
Bank loans and other borrowings	689,000	281,860	369,500	59,597	801,150	129,218
Convertible Notes - interest payable .	–	–	–	–	22,539	3,635
Current tax liabilities	225,693	932,982	1,054,385	170,062	817,965	131,930
Amounts due to related parties	1,228	–	–	–	–	–
Deferred income	521,267	858,082	882,313	142,309	911,233	146,973
	<u>3,149,808</u>	<u>5,901,028</u>	<u>6,281,413</u>	<u>1,013,132</u>	<u>7,103,623</u>	<u>1,145,745</u>
Total liabilities	<u>4,087,038</u>	<u>6,571,909</u>	<u>7,479,856</u>	<u>1,206,428</u>	<u>9,075,017</u>	<u>1,463,712</u>
Total equity and liabilities	<u>5,143,105</u>	<u>11,003,697</u>	<u>11,853,019</u>	<u>1,911,777</u>	<u>13,618,928</u>	<u>2,196,601</u>
Net current assets	<u>1,805,162</u>	<u>4,800,526</u>	<u>4,784,347</u>	<u>771,669</u>	<u>4,933,942</u>	<u>795,797</u>
Total assets less current liabilities .	<u>1,993,297</u>	<u>5,102,669</u>	<u>5,571,606</u>	<u>898,646</u>	<u>6,515,305</u>	<u>1,050,856</u>

Other Financial Data

	As of and for the year ended December 31,				As of and for the twelve months ended June 30,		
	2012	2013	2014	2014	2014 ⁽⁵⁾	2015 ⁽⁶⁾	2015 ⁽⁶⁾
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
	(in thousands, except margin and ratios)						
Adjusted EBITDA ⁽¹⁾	527,905	2,483,680	802,708	129,469	2,918,149	594,842	95,942
Adjusted EBITDA margin ⁽²⁾	32.8%	52.2%	23.9%	23.9%	52.7%	17.8%	17.8%
Adjusted EBITDA/interest expense ⁽³⁾	8.5	22.9	6.4	6.4	34.2	3.7	3.7
Total debt ⁽⁴⁾	749,000	883,860	1,562,100	251,952	1,751,790	2,696,283	434,885
Total debt/Adjusted EBITDA ⁽⁴⁾	1.4	0.4	1.9	1.9	0.6	4.5	4.5

- (1) Adjusted EBITDA for any period is calculated as our profit for the period plus income tax, change in fair value of embedded derivative on redeemable convertible preference shares, finance costs, share of loss of a joint venture and depreciation and amortization, but excludes fair value change on embedded derivative component of the Convertible Notes, finance income, gain on disposal of a subsidiary, other net income (loss), fair value gain upon transfer of completed properties held for sale to investment properties and other revenue. Adjusted EBITDA is not a standard measure under IFRS. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Adjusted EBITDA does not account for tax, finance income, finance costs and other non-operating cash expenses. Adjusted EBITDA does not consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes. In evaluating Adjusted EBITDA, we believe that investors should consider, among other things, the components of Adjusted EBITDA such as selling and distribution expenses and administrative expenses and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. We have included Adjusted EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our Adjusted EBITDA to Adjusted EBITDA presented by other companies because not all companies use the same definitions.
- (2) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by turnover.
- (3) Interest expense consists of Convertible Notes-interest payable and interest on bank loans and other borrowings.
- (4) Total debt represents the sum of total current borrowings and total non-current borrowings. For calculations of current borrowings and non-current borrowings, see "Capitalization and Indebtedness" included elsewhere in this offering circular.
- (5) The Adjusted EBITDA presented or used to calculate other financial indicators presented in this column is for the twelve months ended June 30, 2014, representing the sum of the Adjusted EBITDA for the six months ended 2014 and the Adjusted EBITDA for the six months ended December 31, 2013, which is calculated by deducting the Adjusted EBITDA for the six months ended June 30, 2013 from the Adjusted EBITDA for the year ended December 31, 2013.
- (6) The Adjusted EBITDA presented or used to calculate other financial indicators presented in this column is for the twelve months ended June 30, 2015, representing the sum of the Adjusted EBITDA for the six months ended June 30, 2015 and the Adjusted EBITDA for the six months ended December 31, 2014, which is calculated by deducting the Adjusted EBITDA for the six months ended June 30, 2014 from the Adjusted EBITDA for the year ended December 31, 2014.

RISK FACTORS

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

Risks Relating to Our Business and Industry

We are dependent on economic growth, especially growth in domestic consumption, in China and particularly in the cities where we have significant operations.

We are currently developing and operating trade center projects in various third- and fourth-tier cities and selected second-tier cities in China. We focus on selling properties at our trade center projects to proprietors, typically owners of SMEs, in these cities. Our success depends on economic growth, the development of a consumption-driven economy, particularly the growth in domestic consumption in China and in the cities where we develop and operate our trade centers.

The PRC government has been encouraging the development of an economy driven primarily by domestic consumption rather than exports. China has traditionally had lower levels of per capita consumption and higher savings rates than other developing economies in the world. The success of this strategy is therefore closely linked to the shift of people's spending and saving behavior in China. In addition, unlike the more developed regions of China such as first-tier cities and provincial capital cities, most of the cities where we operate have remained relatively under-developed over the years. They have not substantially benefited from the urbanization process that has taken place in first-tier and most of the provincial capital cities, which has increased domestic consumption levels in those areas. Third- and fourth-tier cities have only recently become a focal point in the development plans of the PRC government as part of the national policy to increase domestic consumption and reduce reliance on exports.

However, urbanization process may not proceed at the current level, or the domestic consumption may not grow as expected in regions where we operate our business. These significantly affect the level of wholesale trading activities and the commercial environment, as well as the demand for trade centers in regions where we operate our business. Any economic downturn in China, particularly in the cities where we operate, or any failure by the PRC government to increase domestic consumption levels and develop a consumption-driven economy from an export-reliant economy, could materially and adversely affect the demand for our trade center products. Such decrease could negatively affect our sales volume and price, which in turn could negatively impact our revenues and profits.

Any such negative development could have a material and adverse effect on our turnover and gross and net profits. In addition, the development of trade centers are capital intensive and significantly reliant on cash flows provided through payments made from our customers for our products. Any significant decrease in demand for our trade center products could materially and adversely affect our operating cash flow and liquidity. As a result, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We are particularly susceptible to changes in government policies and measures relating to the real estate industry in China.

The PRC national and local governments exert considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other regulatory and economic measures, such as control over the supply of land for property development, foreign exchange, property purchases, mortgage financing, taxation, interest rates and foreign investment. These policies and measures have a significant impact on our business of developing and operating trade centers, as well as our development of commercial and residential properties in our projects. For example, through these policies and measures, the PRC national and local governments may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations

on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies, income, capital gain or otherwise, on property transactions and restrict foreign investment in the PRC property sector. In recent years, the PRC government adopted a series of austerity measures, mainly targeting the residential property market to stabilize property prices in China. For more information, see “Regulation—Measures on Stabilizing Property Prices.” These measures may, among other things, significantly reduce the transaction volume and sale prices of residential properties in China.

Our business may also be affected by national policies relating to the development of third- and fourth-tier cities and the second-tier cities we have entered or may enter in the future. Various political, economic and social factors may lead to further adjustments and changes of such policies, including any limitation or restriction on property transactions, commercial or residential. National or local governments may adopt additional or more stringent industry policies and measures in the future. If we fail to adapt our operations to new policies and measures that may come into effect from time to time with respect to the commercial real property industry, or if such policy changes disrupt our business or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

Our business is highly regulated and is subject to extensive PRC national and local laws and regulations.

Our business of developing and operating trade centers, including wholesale trading markets, shopping malls, commercial and exhibition centers, warehouses, office buildings and other commercial and residential properties, is extensively regulated in China. In order to develop and operate a trade center project, we must obtain various permits, licenses, certificates and other approvals from the relevant regulatory authorities at various stages of our project development process, including without limitation, land title documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of various conditions as set forth in PRC rules and regulations some of which can be interpreted with a significant degree of governmental discretion. We may not be able to fulfill the pre-conditions necessary to obtain required governmental approvals or adapt to new laws, regulations or policies that may come into effect from time to time with respect to the project development and commercial real estate industries in general. There may also be delays on the part of relevant regulatory bodies in reviewing our applications and granting approvals. We may also be subject to delays in our trade center development projects due to reasons beyond our control. If we are unable to obtain, or experience material delays in obtaining, the requisite governmental approvals, or if any building moratorium is implemented at one or more of our project sites, the development and sale of our projects could be substantially disrupted, which would result in a material adverse effect on our business, financial condition and results of operations. Further, the implementation of laws and regulations by relevant authorities, or the interpretation or enforcement of such laws and regulations, may cause us to incur additional costs or experience delays in our project development process which could have a material adverse effect on our business, financial condition and results of operations.

Our operating results are significantly affected by peaks and troughs in our property delivery schedule and seasonal factors.

We expect our results of operations to continue to fluctuate significantly from period to period in the future. In addition, given that we primarily engage in the development of large-scale trade center projects, typically with a total GFA of more than 400,000 sq.m., such fluctuation may be even more significant compared to other property developers focusing on a larger number of projects but each with a smaller scale. We recognize proceeds from the sales of a property as revenue only upon the delivery of such property. Our turnover and profit during any given period reflects the quantity of properties delivered during that period and are significantly affected by any peaks or troughs in our property delivery schedule. For example, in 2013 and 2014, our turnover amounted to RMB4,756.5 million and RMB3,360.2 million, respectively. In the same years, our profit for the year was RMB1,176.0 million and RMB506.5 million, respectively. The decrease in our turnover and profit for the year from 2013 to 2014 was primarily due to a decrease in volume of property products sold in 2014, reflecting the prudent sales strategy we adopted in response to the current volatile environment.

Our operating results may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during the relevant period. Our revenue and profit during any given period generally reflect decisions made by purchasers at some time in the past, typically during the period when the properties were pre-sold. As a result, our operating results for any period are not necessarily indicative of results that may be expected for any future period and will continue to fluctuate significantly from period to period.

Our ability to complete projects may also be affected by seasonal factors. We generally halt our construction work in some parts of northern China during winter months between November and February, which delays the completion of those property development projects. Since we recognize revenue from the sale of a property only upon the delivery of such property, seasonal variations have caused fluctuations in our semiannual results. As a result, our results of operations have fluctuated in the past where interim results are not indicative of full year results and we are likely to continue to experience such fluctuations in the future. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Nature, Timing and Seasonality of Our Property Development” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Description of Selected Line Items of Consolidated Statement of Profit or Loss” included elsewhere in this offering circular.

We may not be able to obtain sites that are suitable for trade center development projects at commercially acceptable prices, or at all.

Land prices have increased significantly in the PRC in recent years, especially in third- and fourth-tier cities, and may continue to increase in the future. To grow our business in the future, we are required to continue to acquire suitable sites at reasonable cost. We generally seek to maintain a portfolio of land resources sufficient for future development projects for four to five years. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. The PRC national and local governments control land supply in the PRC and regulate land sales in the secondary market. As a result, regulatory policies towards land supply affect our ability to acquire land-use rights for sites we identify for development and the costs of any grant or acquisition. The PRC national and local governments may regulate the means by which property developers, including us, obtain land for property developments. In addition, our ability to obtain sites and increase turnover and number of projects, as well as our costs, expenses and profit margins also depend on the availability of favorable regulatory policies and government support and grants in local areas, which we cannot guarantee we will continue to obtain in future periods.

In addition, there may not be land available in attractive locations in our target cities for new development or redevelopment. We may not be able to identify and acquire sufficient and appropriate sites at reasonable prices, or at all, in the future. Any failure to identify and acquire sufficient and appropriate sites for our land reserves would result in uncertainties in our future development schedules, which in turn would have a material adverse effect on our future growth prospects, profitability and profit margins.

The unavailability of any favorable regulatory treatment, including governmental grants and preferential tax treatments, in future periods for our projects could materially and adversely affect our business, financial condition and results of operations.

We enjoy certain favorable regulatory treatments, including government grants and preferential tax treatments, which are offered by local regulatory authorities of regions where we develop our trade center projects.

We receive significant amounts of government grants in connection with our trade center projects in Ningxiang, Jining, Yulin, Mianyang, Wuzhou and Ganzhou, Heze and Xingning. In 2012, 2013 and 2014 and the six months ended June 30, 2015, we recognized government grants of RMB586.9 million, RMB957.8 million, RMB345.7 million (US\$55.8 million) and RMB202.8 million (US\$32.7 million), respectively, of which RMB285.2 million, RMB620.9 million, RMB321.5 million (US\$51.9 million) and RMB114.2 million (US\$18.4 million) have been credited to cost of sales during the same periods. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Government Grants.” Government grants have historically contributed significantly to our profitability, reflected in lower cost of sales and resulting in higher gross profit margins yielded by our trade center projects, particularly those in Ningxiang, Jining and Ganzhou. The amounts of the grants also contributed to the

significant fluctuation of our gross profit margins. The grants also enhanced our liquidity position, reflected in the increase in cash balances and cash equivalents and current liabilities after the receipt of grants. We expect to continue to receive government grants in the future with respect to our existing projects.

However, such government grants were offered on a case-by-case basis subject to our negotiation with relevant regulatory authorities. We may not be able to continue to secure opportunities in developing trade centers that are coupled with satisfactory government grants. In addition, the State Council of the PRC issued rules in November 2014 and May 2015 respectively to gradually eliminate certain preferential treatments, including government grants, provided by local governments and related agencies to companies. We may not be able to receive any government grants for our new projects in the future. Our gross margins may experience more significant fluctuations and we may experience decreases in profitability for our existing or future projects. As a result, our business, prospects, financial condition and results of operations may be adversely affected. One of our PRC subsidiaries, Ganzhou Hydo Commercial and Trade Logistics Park Development Company Limited, was approved to enjoy the preferential income tax rate of 15% for the tax period from 2012 to 2020. However, such preferential tax treatment is legally required to be reported and declared to the local tax authority on an annual basis within five months after the year end and the local tax authority needs to review and reaffirm such treatment annually, thus there is no assurance that such preferential tax treatment will not be amended or revoked due to reasons beyond our control, including any change in the relevant policy, laws and regulations in China or in the local region. As a result, we may not be able to realize the benefit of such preferential tax treatment as we currently expect, or at all. Moreover, once the preferential tax treatment expires or otherwise becomes unavailable to us for any reason, including their termination or cancellation by the relevant government authority, should we fail to obtain other preferential tax treatment, our profitability may be adversely affected. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Description of Selected Line Items of Consolidated Statement of Profit or Loss—Income Tax Expenses.”

We develop and operate trade centers in a limited number of cities in China and are susceptible to changes in the regulatory and economic conditions of those areas.

We develop and operate trade centers in a limited number of cities in China. We commenced the development of our first trade center in Ningxiang, Hunan province, and as of June 30, 2015, we were simultaneously developing and operating 13 projects in nine provinces and autonomous regions in China, ten of which were large-scale trade centers. While we are actively pursuing business opportunities and expanding our geographic presence in third-and fourth-tier, and selected second-tier, cities in China, we expect that our business will continue to be focused on a few geographical areas in China in the near term. Any adverse developments in these local regions, including any decrease in the supply of land resources or demand for trade centers and related products in these areas, would have an adverse effect on our results of operations and financial condition.

We are also subject to the economic conditions of these areas. Any adverse developments in local economic conditions as measured by factors such as employment levels, job growth, consumer confidence, interest rates and population growth may reduce demand and depress prices for our trade centers and materially and adversely affect our financial condition and results of operations. The overall level of occupancy at our trade centers as well as the level of demand for our projects may also be significantly affected by the conditions in local markets, and market perceptions. Customer demand for our trade centers may not continue at historical levels and we may not be able to benefit from the future growth of our existing or future trade centers in these cities.

Our strategy of expanding into new geographical areas, including beyond the PRC, may not succeed.

As part of our growth strategy, we plan to expand our business into additional cities in China as well as other countries, such as Thailand. We may also acquire existing projects if suitable opportunities arise. Our experience in designing, constructing and operating trade centers in cities where we have operations may not be applicable in other regions. We may not be able to successfully leverage our experience to expand into other parts of China or other countries. When we enter into new markets, we may face intense competition from commercial or trade center operators with local industry experience or established operations and from other developers with similar expansion targets. We may also face potential regulatory hurdles in such new markets, such as permit, licensing and approval requirements, which we may not be able to meet.

In addition, expansion or acquisition requires a significant amount of capital resources, which may divert our available resources and the attention of our management from other matters. Our experience in developing trade centers in second-tier cities is still limited and we cannot guarantee that we can successfully replicate our business model in these new cities. Furthermore, we do not have a track record of business operations outside China. Our property development project in Thailand under a joint venture we have established with our Thai partner represents our first efforts to expand our business beyond the PRC, and we cannot guarantee that we will be able to execute such expansion successfully. We may not be able to anticipate and resolve all problems that may occur during our expansion efforts, whether within or without China, and failure to do so may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully expand into new business lines.

Our business has historically focused on developing and selling trade center projects. We may seek to diversify our income streams by launching new business lines, such as developing an e-commerce platform, providing financial services and logistic services. Expansion of our business activities exposes us to a number of risks and challenges, including:

- insufficient experience or expertise in the new business areas, which may prevent us from effectively competing in these areas;
- imitation of our new products and services by our competitors;
- failure of our new products and services to be accepted by our customers or the market or meet our expected targets;
- inability to hire additional qualified personnel on commercially reasonable terms;
- insufficient financial, operational, management and other human resources to support our expanded range of businesses and services;
- inability to obtain regulatory approvals for our new businesses; and
- unsuccessful attempts to enhance our internal control capabilities and information technology systems to support a broader range of products and services.

Our new business lines may not be profitable or sustainable due to these and other risks, and any inability to successfully execute such plans and any failure to achieve the intended results with respect to our new businesses may have a material and adverse effect on our business, financial condition and results of operations.

We are exposed to operational concentration risks as we focus on developing a limited number of trade center projects.

We focus on developing a limited number of trade center projects based on our development schedule. Some of our development projects have an estimated GFA of more than 400,000 sq.m. We are exposed to higher concentration risks as our capital investments are typically committed to a small number of large-scale property development projects. Our existing or future large-scale developments may not be successful and any such development may encounter difficulties that may adversely affect our business, financial condition and results of operations. In addition, as we focus on the development of large-scale trade centers, any significant decrease in demand of our products at a trade center could have a material and adverse effect on our business, financial condition and results of operations. Furthermore, any decrease in demand could result in a less vibrant commercial environment at our trade center, which could further result in a decrease in sales volume or average sales price. Due to the amount of capital required and costs incurred or to be incurred in each development, our results of operations could be adversely affected if any of our existing or future large-scale property developments is unsuccessful. Any such negative development could have a material and adverse effect on our business, financial condition and results of operations.

If we are unable to obtain the land-use rights for our additional properties planned for future development, we will not be able to develop these planned projects.

During the six months ended June 30, 2015, we entered into master investment agreements with respect to our additional properties planned for future development of three projects and we have not yet obtained land-use right certificates for any of them. See “Business—Our Projects” Pursuant to these master investment agreements, the municipal governments of various locations in the PRC have identified land which is suitable for our development plans. However, the signing of the master investment agreements does not guarantee that we will obtain the land-use rights of the land identified.

Such land needs to be granted through a public tender, auction and listing for sale process in accordance with PRC laws and regulations. The land administration authorities may not grant us the appropriate land-use rights or issue the land-use rights certificates in a timely manner, or at all. Moreover, we may not be successful in our bidding for the plots of land in the cities where we have additional properties planned for future development or that we will be able to obtain the land at a commercially reasonable price. If we are not successful in our bidding for the plots of land where our properties are planned or fail to obtain land-use rights for all or any portion of such land, we will not be able to develop such properties as planned.

We may be unable to complete our current trade center projects according to our budget or on schedule, or at all.

Development of commercial real estate projects, such as our trade centers, involves a complex process that lasts for a long period of time and contains many inherent risks that could prevent or delay the development from completion as originally planned. In particular, substantial capital expenditures are required prior to and during the construction period, and the project may take an extended period of time before generating positive cash flows through pre-sales or sales. In addition to regulatory risks, the development progress and cost and expense of a development project can be adversely affected by many other factors, including:

- relocation of existing residents and demolition of existing structures;
- timely construction by our construction contractors;
- shortages of materials, equipment, contractors and skilled labor;
- ability to obtain adequate financing;
- labor disputes and safety issues;
- natural catastrophes or adverse weather conditions; or
- economic downturn and deterioration in consumer sentiment in general.

Construction delays or failures to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors, or any other factors beyond our control, may significantly increase the working capital needed to finance the prolonged development process. Our sales schedule may as a result be materially delayed and we may not be able to adapt to changing market conditions. In addition, we may be subject to liabilities arising from such delays. Any such adverse development could adversely affect our financial condition and results of operations and may also adversely affect our reputation in the industry. There is no guarantee that we will not experience material delays in completing or delivering our projects.

We may not be able to obtain adequate financing on commercially acceptable terms or at all to complete properties under development or properties planned for future development.

Property development is a capital-intensive business. We have historically financed, and expect to continue to finance, our property projects primarily through proceeds from pre-sales and sales, capital contributions from our Shareholders and investors and borrowings from financial institutions. Our ability to procure adequate financing for land acquisition and property development depends on a number of factors beyond our control, including PRC regulatory control over property developers’ ability to incur indebtedness onshore or offshore.

In recent years, the PRC government has adopted various measures to regulate, and to strengthen the enforcement of regulations relating to, lending practices in the property industry. For example, commercial banks and trust companies in China are prohibited by the CBRC from extending loans, including entrustment loans, to property projects that have not obtained property land titles or other key development approvals. Trust companies in China are prohibited by the CBRC from extending loans to property developers that have not obtained a Class 2 qualification certificate issued by construction authorities. Commercial banks in China are currently prohibited by the CBRC and the PBOC, from extending loans to property developers to pay land premiums. The CBRC has issued guidelines that generally require at least 30% of the total investment in a property project to be financed by the developer's own capital. In addition, restrictions on extensions of loans have been adopted with respect to property developers and development properties with past non-compliance with property laws and regulations, such as those relating to idle lands, prescribed land-use, construction commencement or completion dates or property hoarding.

In addition, the PBOC has adjusted the deposit reserve ratio for commercial banks several times in the past few years. In its most recent adjustment in October 2015, the PBOC adjusted the deposit reserve ratio to 17%. Increases in the deposit reserve ratio for commercial banks may limit the amount of funds that they may lend, and may thereby adversely affect our ability to obtain financing.

These PRC government actions and policy initiatives could further limit our ability and flexibility to use bank loans to finance our property projects. We may not be able to secure adequate financing or renew our existing credit facilities prior to their expiration or that our business, financial condition and results of operations will not be materially and adversely affected as a result of such and other government actions and policy initiatives.

We may not be able to successfully manage our growth.

We have been rapidly expanding our operations in recent years and aim to continue to grow our business and expand our operation scale. As we continue to grow, we intend to continuously improve our managerial, technical and operational platform. For example, we may need to improve our information technology system from time to time, and we will need to hire and train a large number of skilled employees that can manage new project companies we establish with each new trade center project. In order to fund our ongoing operations and our future growth, we also need to have sufficient sources of working capital or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, contractors, service providers, suppliers and lenders. We also intend to further strengthen our internal control and compliance functions in order to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We may experience issues such as capital constraints, operational difficulties at new locations or difficulties in replicating our business model and hiring or training new project company management or additional employees. In addition, our expansion plans may adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations or future prospects.

We had negative net operating cash flow for the years ended December 31, 2012 and 2014.

We recorded negative net cash flow from operating activities of RMB1,087.6 million, RMB2,171.5 million (US\$350.2 million) and RMB1,201.5 million (US\$193.8 million) in the years ended December 31, 2012 and 2014 and for the six months ended June 30, 2015, respectively. Our negative net cash flow from operating activities was primarily attributable to the long-term and capital-intensive nature of property development, as well as our continued business expansion and increase in investment in properties under development.

We have historically financed, and expect to continue to finance, our property projects primarily through proceeds from pre-sales and sales, capital contributions from our shareholders and investors and borrowings from financial institutions. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." As a result of our significant and rapid growth in the scale of development activities and business operations, we may not be able to generate positive operating cash flow in the near future. Negative operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to develop our projects as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

The regulatory authorities in China may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts.

Under PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premiums and other fees, the specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, or reclaim our land. Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land premiums by the stipulated deadline, we may be subject to a late payment penalty at the rate of 0.1% of the unpaid land premium per day. If we fail to fully pay the land premiums within 60 days after the land grant contract becomes effective, the assignor is entitled to terminate the land grant contract and claim for indemnities. Furthermore, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the land authorities may serve a decision on levy of idle land fee on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to forfeiture unless the delay in development is caused by government actions or by force majeure. Moreover, even if we commence development of the land in accordance with the land grant contract, if the area of the developed land is less than one-third of the area of the total site area of the land, or if the total capital expenditure is less than one-fourth of the total investment of the project, and the development of the land is suspended for over one year without government approval, the land will still be treated as idle land.

Regulations relating to idle land in China may become more restrictive in the future. If we fail to comply with the terms of land grant contracts due to delays in our project developments, or as a result of factors out of our control, we may not only lose the opportunity to develop the projects on such land, but may also lose all of our past investments in the land, which would materially and adversely affect our business, financial condition and results of operations.

We face competition from other commercial property developers in China for land and customers.

The commercial property industry in China, in particular the trade center development industry, is highly competitive. We face competition from other trade center developers and operators in China at a national level and in local markets where we develop and operate our trade centers. See “Business—Competition.” Some of our competitors in China may have a longer history of operations and more financial resources and operational experience.

Competition between trade center developers is intense and may result in, among other things, increased costs for the acquisition of land for development, a decrease in the rate at which new development properties will be approved or reviewed by the government authorities, and difficulty in obtaining high quality land sites for trade center development. Furthermore, prospective customers may consider our competitors’ trade center products to be superior. As a result, we may lose potential customers who may purchase or lease our competitors’ products. We may also have difficulty selling, leasing or renewing the lease of our properties, or be forced to reduce our sale prices or rents or incur additional costs in order to make our properties more attractive than those of our competitors. If we are unable to compete effectively and consistently, our market share and business prospects may decline, which could materially and adversely affect our business, reputation, financial condition and results of operations.

We face risks related to the pre-sale of properties.

PRC law allows property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. We depend on cash flows from pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and may use pre-sale proceeds only to finance the development project where the pre-sold properties are located. There is no guarantee that the PRC national or local government will not adopt any limitation, restriction or abolishment of the pre-sale practice in the commercial or residential property industry. Implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditures 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, which could have a material and adverse effect on our business, financial condition and results of operations.

In addition, the pre-sale of our properties carries certain risks. For example, we may fail to complete a fully or partially pre-sold property development, in which case we may be liable to purchasers for losses suffered by them. These losses may exceed any deposits that may have been made in respect of the pre-sold properties. Furthermore, if a pre-sold property is not delivered on time, the purchaser may be entitled to damages. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviates by more than 3.0% from the GFA originally indicated in the property sale and purchase contract, the purchaser may terminate the property sale and purchase contract, reclaim the payment and claim damages. Any failure by us to complete fully or partially pre-sold property developments or to deliver pre-sold property on time may material and adversely affect our business, reputation, financial condition and results of operations.

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

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, we provide guarantees of the mortgage loans used by our customers to purchase our properties to commercial banks in the PRC. According to market practice, PRC banks require that we guarantee these mortgage loans until the property ownership certificates are issued and the mortgage is duly registered, which generally takes place three to six months after we deliver the properties to the purchasers. See “Business—Property Sales and Leases—Property Sales.” If a purchaser defaults on the mortgage loan prior to the release of our guarantee obligations, we may have to repay the mortgage loan. In line with industry practice, we do not conduct any independent credit checks on our customers and generally rely on the credit checks conducted by the mortgagee banks.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our outstanding guarantees in respect of the mortgage loans of our customers amounted to RMB475.0 million, RMB1,482.1 million, RMB2,551.0 million (US\$411.5 million) and RMB2,648.4 million (US\$427.2 million), respectively. We may be subject to guarantee-related risks. Should any material default occur or if we are called upon to honor our guarantee obligations, our business, reputation, financial condition and results of operations could be materially and adversely affected.

We may be unable to obtain, extend or renew qualification certificates for real estate development.

As a precondition to engaging in real estate development in China, a property developer must obtain a qualification certificate and renew it on an annual basis unless the rules and regulations allow for a longer renewal period. According to current PRC rules and regulations, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for a maximum of two years. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Moreover, the established property developers must also apply for renewal of their qualification certificates on an annual basis. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. We may not be able to obtain or renew the qualification certificates in a timely manner, or at all. If we do not possess valid qualification certificates, the government may refuse to issue pre-sale and other permits necessary for our property development business. In addition, the government may impose a penalty on our project companies for failure to comply with the terms of the qualification certificates. If we are unable to obtain, renew or comply with the terms of the qualification certificates, our business and financial condition could be materially and adversely affected.

We are subject to certain risks associated with debt financing which may limit or otherwise adversely affect our operations.

We maintain a certain level of borrowings to finance our operations. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our total outstanding bank loans and other borrowings amounted to RMB749.0 million, RMB883.9 million, RMB1,562.1 million (US\$252.0 million) and RMB1,995.2 million (US\$321.8 million), respectively. In addition, as of June 30, 2015, we had a total of US\$120 million principal amount of the Convertible Notes outstanding. In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development. We may also utilize proceeds from additional offshore debt financing to acquire land resources.

Our indebtedness could have an adverse effect on us, for example by: (i) increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; (ii) requiring us to dedicate a significant portion of our cash flow from operations to fund the payments for debt principal and accrued interest, thereby reducing the availability of our cash flow for other uses; (iii) limiting our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate; (iv) limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such funding; and (v) restricting us from making strategic acquisitions or taking advantage of business opportunities. In addition, we are subject to certain restrictive covenants under the terms of our borrowings, which may restrict or otherwise adversely affect our operations.

These covenants may restrict, among other things, our ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' capital stock, repurchase our or our subsidiaries' capital stock, prepay certain indebtedness, repay shareholders' loans, reduce our registered capital, sell or transfer property or assets, make investments and engage in mergers, consolidation or other change-in-control transactions. In addition, some of the loans may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-asset ratio or minimum profitability levels during the term of the loans. See "Description of Material Indebtedness and Other Obligations."

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 then prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to fulfill our repayment obligations under our borrowings, or are otherwise unable to comply with the restrictions and covenants in our current or future loan and other agreements, there could be a default under the terms of these agreements. We have made investments that exceeded the limitations under the covenants on restricted payments of the Convertible Notes and we obtained waivers from holders of the Convertible Notes for those investments. We may make similar investments in the future, and if so, we may not be able to obtain waivers from the holders of the Convertible Notes. In the event of a default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clause may also be triggered as a result. If any of these events occur, our assets and cash flow may not be sufficient to repay all of our indebtedness, and we may not be able to obtain alternative financing on terms that are favorable or acceptable to us. We may use part of the proceeds from this offering to repay a portion of our outstanding debts (which include a portion of the Convertible Notes) and we may decide to repay the remaining Convertible Notes and other debts in the future before their maturity or redemption dates, which would prevent us from using those funds in ways that might otherwise grow our business. As a result of any of these, our financial condition, results of operations, and cash flow may be materially and adversely affected.

Our financing costs may be affected by changes in interest rates in China and abroad.

Our financing costs and, consequently, our results of operations, are affected by changes in interest rates in China and abroad. We expect that our borrowings, whether with fixed or floating interest rates or incurred at an onshore or offshore level, may be affected by certain benchmark lending rates used by our lenders, particularly the benchmark rates published by the PBOC for onshore borrowings in China. The PBOC has adjusted the benchmark rates multiple times in the past few years. The PBOC may raise lending rates further. In addition, our business, financial condition and results of operations may be adversely affected as a result of these adjustments. Our interest expenses on bank loans and other borrowings for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 were RMB61.9 million, RMB108.6 million, RMB124.8 million (US\$20.1 million) and RMB65.6 million (US\$10.6 million), respectively. Any future increases in the interest rates of our bank borrowings, including as a result of interest rate increases by the PBOC or other issuers of benchmark interest rates, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our property development business is subject to claims under statutorily-mandated quality warranties.

Under the *Measures for Administration of Sale of Commodity Properties* (商品房銷售管理辦法), all property development companies in the PRC must provide certain quality warranties for the properties they sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from third-party contractors we hire to construct our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain

reimbursement for such claims from third-party contractors in a timely manner or at all, or if the retention money held by us is not sufficient to cover our payment obligations under the quality warranties, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which may in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

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 the representations and warranties we 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 in 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.

Investment properties are illiquid and changes in the fair value of such investment properties could affect our profit.

We plan to retain a portion of our properties for recurring rental income in the later stages of our development, and some of such properties may be designated as properties held for investment purposes. As of June 30, 2015, we had an aggregate of 123,337 sq.m. of properties designated as investment property. In general, investment in properties is relatively illiquid compared with other forms of investment. Economic conditions may change that could force us to consider disposing of some or all of our investment properties. Our ability, however, to sell any of our investment properties in response to changing economic, financial and investment conditions on a timely basis, or at all, is limited.

In particular, there is a limited trading market or platform for investment properties in cities where we operate, which are primarily third-and fourth-tier cities and selected second-tier cities. Furthermore, we may not be able to sell any of our investment properties at prices or on terms satisfactory to us, or at all. We cannot predict the length of time needed to find a purchaser and to complete the sales of a property we currently hold or plan to hold for investment purposes. Moreover, should we decide to sell a property subject to tenancy agreements, we will have to obtain consent from, or pay termination fees to, our tenants.

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to increased competition, decreased demand, age, appearance or other factors. The conversion of investment properties to alternative uses generally requires substantial capital expenditures. We may be required to expend funds on maintenance or improvements before a property may be sold, and we may not have sufficient funds for such purposes. Such factors may impede our ability to respond to adverse changes in the performance of our investment properties, adversely affect our ability to retain tenants, and materially and adversely affect our business, financial condition and results of operations.

Furthermore, we are required to reassess the fair value of any investment properties we may hold. Gains or losses arising from changes in the fair value of any such investment properties will be reflected in our results of operations in the period in which they arise. Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit.

We may be adversely affected by the performance of third-party service providers, such as construction contractors and design firms and increases in the service charges or prices of construction materials and equipment.

We employ third-party service providers to carry out various tasks, such as project planning, design and construction work. We select third-party service providers based on their reputation, quality of work and prior dealings with us. See “Business—Our Development Process—Project Construction.” We endeavor to employ companies with good reputations, credibility and sufficient financial resources, but we cannot guarantee that any such third-party contractor will provide satisfactory services at the required level of quality. Moreover, the completion of our property developments may be delayed and we may incur additional costs due to a service provider’s financial or operational difficulties. Our third-party service providers may undertake significant projects from other developers or otherwise engage in highly-demanding undertakings or otherwise encounter financial or resource constraints, which may cause significant delays in the completion of our property projects, affect the quality of our projects, or increase our project development costs and risks. The services rendered by any of these service providers may not always be satisfactory or match our quality requirements.

In addition, these service providers may significantly increase their service fees. Any of these factors could have a negative impact on our business, reputation, financial condition and results of operations. In addition, our third-party contractors are generally responsible for our construction materials and equipment procurement with the exception of certain equipment that we centrally procure at a group level. Our engagement with these construction companies typically provides for price adjustment in the event of significant fluctuation in construction materials and equipment prices. In addition, any general increase in construction materials and equipment prices could result in a generally higher level of construction company fees to be borne by us. Therefore, increases in the price of construction materials and equipment could be passed on to us directly or indirectly. Any such increase could have an adverse effect on our results of operations, financial condition and business prospects.

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

Our current insurance may not be sufficient to cover potential losses or claims in the future. We do not carry insurance against all potential losses or damages with respect to our properties under development other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the loan agreements with those lending banks. In addition, we do not maintain insurance coverage against liability arising from personal injuries or other tortious acts related to construction work at our trade center projects as such liabilities are generally borne by construction companies. We may be sued or held liable for damages due to any such personal injuries and other tortious acts. Moreover, our business may be adversely affected due to the occurrence of natural disasters and other unanticipated catastrophic events, with respect to which we do not carry any insurance. If we suffer from any losses, damages or liabilities in the course of our operations and property development, we may not have sufficient financial resources to fully cover such losses, damages or liabilities or to replace any property development that has been destroyed, and may lose all or a portion of our invested capital in the affected properties and anticipated future income from such properties. Any such material uninsured loss could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to higher LAT rates in the future.

In accordance with the provisions of the LAT Regulation, all persons including companies and individuals that receive income from the sale or transfer of state-owned land-use rights, buildings and their attached facilities must pay LAT at 30% to 60% on any appreciation gain in respect of the land and improvements on such land. In addition, certain of our subsidiaries were subject to a LAT calculated based on 6% to 8% of their revenue in accordance with the authorized tax valuation method approved by local tax authorities. As permitted by PRC laws, we have been prepaying LAT with reference to our pre-sale proceeds. We recorded LAT expenses of RMB60.9 million, RMB687.3 million, RMB184.6 million (US\$29.8 million) and RMB49.7 million (US\$8.0 million) for 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. The PRC regulatory authorities may use a different method to assess our LAT obligations. As a result, we may be required to pay additional LAT and our LAT rates and obligations in the future may also increase, which may have an adverse effect on our financial condition.

Potential liability for environmental issues could result in substantial costs.

We are subject to a variety of environmental laws and regulations during the construction of our development projects. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Environmental laws and conditions may result in project delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally sensitive regions or areas. In addition, we cannot predict the impact that unforeseeable environmental contingencies or new or changed laws or regulations may have on us or our trade center projects.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects. Although the environmental investigations conducted to date have not revealed any environmental liability that would be expected to have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. Upon completion of each project, the environmental authorities will inspect the site to ensure compliance with all applicable environmental standards. If any portion of the project is found to be non-compliant with environmental standards, we will be required to suspend certain of our operations, and may be fined, either of which could materially and adversely affect our business, financial condition and results of operations.

Our Controlling Shareholders have substantial control over our Company and may take actions that are not in, or may conflict with, our best interests or the best interests of our creditors, including the holders of the Notes.

Our Controlling Shareholders 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, the best interests of our Company or our creditors, including matters relating to our management and policies and the election of our directors and senior management. Our Controlling Shareholders 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, 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.

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

Our future success depends heavily upon the continuing services of the members of our senior management team, who have extensive experience in the trade center development industry. 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, our ability to expand depends on our being able to attract skilled management-level employees on the project company level. Competition for senior management and key personnel is intense and the pool of qualified candidates is very limited, and 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. In addition, if any such person or any other key personnel of the Company carries on any activities competing with us, we may lose customers, key professionals and staff members and our legal remedies against such persons may be limited.

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

We believe our brand and trademarks are important to our success. Any unauthorized use of our brand, trademarks and other intellectual property rights could limit our competitive advantages and harm our business. Historically, China has not protected intellectual property rights to the same extent as some other countries, and the 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.

Our results of operations and financial condition may be affected by the occurrence of epidemics and natural disasters as well as political instability.

Our business can be affected by major natural disasters, or widespread outbreaks of infectious diseases in China. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. For example, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. In 2003, certain Asian countries and regions, including the PRC and Taiwan, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia. Recurrence of SARS or an outbreak of any other epidemics in China, such as influenza A (H1N1) and avian flu (H5N1 or H7N9) and the Middle East respiratory syndrome (MERS), may cause disruption of regional or national economic activity, which can affect consumers' purchasing power in the affected areas and, therefore, reduce demand for our products. Such event may also result in the temporary closure of our trade centers for quarantine or for preventive purposes, which in turn may materially and adversely affect our business, financial condition and results of operations. Any natural disasters, political unrest, war, acts of terrorism and other instability in the PRC can also result in disruption to our business or the businesses of our customers.

Risks Relating to the PRC

Adverse changes in China's economic, political, and social conditions, as well as governmental policies could have a material adverse effect on China's overall economic growth, which in turn, could materially and adversely affect our business, financial condition and results of operations.

The Chinese economy differs from the economies of most developed countries in many respects, including: (i) structure; (ii) level of governmental involvement; (iii) level of development; (iv) growth rate; (v) control of foreign exchange and capital flows; and (vi) allocation of resources. The Chinese economy is in transition from a planned economy to a market economy. While the Chinese economy has grown significantly in the past two decades, the growth has been uneven geographically, among various sectors of the economy and during different periods. The Chinese economy may not continue to grow or may not do so at the pace that has prevailed in recent years, or that if there is growth, such growth will be steady and uniform. In addition, if there is a slowdown, such slowdown could have a negative effect on our business. Due in part to the impact of the global economic and financial crisis and other factors, the growth rate of China's real gross domestic product decreased from 7.7% in 2012 and 2013 and further to 7.4% in 2014. It is uncertain whether the various macro-economic measures, monetary policies and economic stimulus packages adopted by the PRC government will be effective in restoring or sustaining the fast growth rate of the Chinese economy. Any adverse change in China's economic, political and social conditions, as well as governmental policies could have a material adverse effect on China's overall economic growth, which in turn could materially and adversely affect our business, financial condition and results of operations.

Fluctuations in the exchange rates of the Renminbi may have a material adverse effect on your investment.

The exchange rates between the Renminbi and the U.S. dollar, the Hong Kong dollar, and other foreign currencies are affected by, among other things, changes in China's political and economic conditions. Pursuant to reforms of the exchange rate system, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a band of 2.0% above or below the central parity rate against a basket of foreign currencies, effective March 17, 2014. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar and other currencies, our gearing may increase and our financial condition and results of operations could be adversely affected because part of our existing indebtedness and obligations are denominated in U.S. dollar. Such 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 Convertible Notes and the Notes and our ability to obtain future financings in foreign currencies.

As we rely on dividends paid to us by our operating subsidiaries, any significant revaluation of the Renminbi may have a material adverse effect on the value of dividends payable in foreign currency terms. To the extent that we need to convert the proceeds from this offering and future financing into Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Failure to comply with the SAFE regulations relating to special purpose vehicles by our beneficial owners may materially and adversely affect our business operations, limit our ability to inject capital into our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute profit to us or subject us to fines.

On October 21, 2005, State Administration of Foreign Exchange (“SAFE”) promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), which became effective on November 1, 2005 (“Circular No. 75”). The notice requires PRC domestic resident natural persons (境內居民自然人) to register or file with the local SAFE branch in the following circumstances: (i) before establishing or controlling any company outside the PRC for the purpose of capital financing, (ii) after contributing their assets or shares of a domestic enterprise into overseas special purpose vehicles, or raising funds overseas after such contributions, and (iii) after any major change in the share capital of the special purpose vehicles without any round-trip investment being made. On July 14, 2014, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (the “Circular No. 37”) (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. The Circular No. 37 supersedes the Circular No. 75 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under the Circular No. 37, in the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. In addition, according to the procedural guideline as attached to the Circular No. 37, the principle of review has been changed to “the domestic individual resident is only required to register the SPV directly established or controlled (first level).”

All beneficial owners of our shares that are PRC residents have completed the registration and change registration of their overseas invested companies in accordance with the applicable circular. Changes in the status of these overseas invested companies would require further registration in accordance with Circular No. 37. Such process may not be completed in a timely manner or at all, or we may be subject to fines or other sanctions that restrict our cross-border activities or limit our PRC subsidiaries’ ability to distribute dividends or to repay shareholder loans to us.

The payment of dividends by our operating subsidiaries in China is subject to restrictions under PRC law.

The Company is a holding company established in the Cayman Islands and we operate a substantial part of our business through our subsidiaries in China. PRC laws require that dividends be paid only out of net profit, calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS and United States generally accepted accounting principles. PRC laws require foreign invested enterprises, including all of our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to pay dividends to our shareholders and to service our indebtedness, including the Notes, depends upon dividends received from these subsidiaries, any restrictions on the availability and flexibility to transfer dividend outside China may impact our ability to service our indebtedness, including the Notes.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing.

On May 23, 2007, Ministry of Commerce of the PRC (“MOFCOM”) and SAFE issued the *Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry* (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (“Notice No. 50”). On April 28, 2013, SAFE issued the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) (“Notice No. 19”). Notice No. 50 and Notice No. 19 stipulate, among other things, (i) that SAFE will no longer process foreign debt registrations and applications for the purchase of foreign exchange submitted by foreign-invested real estate enterprises (including newly established enterprises and enterprises with increased registered capital) which obtained approval certificates from and registered with MOFCOM on or after June 1, 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or amendments of such registrations) or applications for the sale and purchase of foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from the commerce departments of local governments but which had not registered with MOFCOM. These regulations restrict the ability of foreign-invested property development companies to raise funds offshore by structuring the funds as a shareholder loan to the property development companies in the PRC. Instead, such companies have to structure the funds from offshore as an equity investment and obtain the funds through an increase of their registered capital or the establishment of new foreign-invested property development companies.

Pursuant to the requirements in the relevant foreign-invested real estate laws and regulations, we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our operations, engage in new real estate project developments or operations, or increase the registered capital of our subsidiaries or associated project companies in the PRC in the future. A substantial amount of our net proceeds from this offering will need to be initially used to increase the registered capital of, or acquire additional equity interests in, our existing foreign-invested subsidiaries in the PRC, to establish new foreign-invested subsidiaries in the PRC or acquire business or companies from third parties. In addition, we may raise additional capital offshore after the completion of this offering. As a result, we must apply for such approvals with the relevant examination and approval authorities before we may remit the proceeds from this offering into the PRC for such intended use in the PRC as described in the section headed “Use of Proceeds.” There can be no assurance that such approvals will be completed on a timely basis, or that we will receive the approvals we request, which may delay or prevent us from using such proceeds for our intended purposes. In addition, if the PRC government issues policies or regulations that aim at further regulating or restricting overseas investment in the PRC real estate industry and if these policies or regulations have a direct application to our business and operations, our ability to secure new projects may suffer and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Any change in the preferential tax treatment we currently enjoy in the PRC may have an adverse impact on our results of operations.

The PRC Enterprise Income Tax Law (the “EIT Law”) and its Implementation Rules, which became effective on January 1, 2008 replaced the previous two separate tax regimes for foreign-invested enterprises and Chinese domestic companies and imposes a single uniform income tax rate of 25% for all enterprises, including foreign-invested enterprises, unless they qualify for any exemptions or reductions. Although the EIT Law revokes many of the previous tax exemption, reduction and preferential treatments which were applicable to foreign-invested enterprises, it provides for various transition periods and measures for previous preferential tax policies. One of our PRC subsidiaries, Ganzhou Hydo Commercial and Trade Logistics Park Development Company Limited, was approved to enjoy the preferential income tax rate of 15% for the tax period from 2012 to 2020. However, such preferential tax treatment is legally required to be reported and declared to the local tax authority on an annual basis within five months after the year end and the local tax authority needs to review and reaffirm such treatment annually, thus there is no assurance that such preferential tax treatment will not be amended or revoked due to reasons beyond our control, including without limitation, any change in the relevant policy, laws and regulations in China or in the local region. As a result, we may not be able to realize the benefit of such preferential tax treatment as we currently expect, or at all. Moreover, once the preferential tax treatment expires or otherwise becomes unavailable to us for any reason, including their termination or cancellation by the relevant government authority, and we fail to obtain other preferential tax treatment, our profitability may be adversely affected. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Description of Selected Line Items of Consolidated Statement of Profit or Loss—Income Tax Expenses.”

We may be treated as a PRC tax resident, which may have an adverse effect on us and the holders of Notes.

Under the EIT Law, if an enterprise is incorporated outside the PRC but its “actual management organization” is located within the PRC, such enterprise may be treated as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on its global income. The Implementation Rules of the Enterprise Income Tax Law defined the “actual management organization” as an organization actually managing and controlling an enterprise’s production, operation, personnel, finance and assets. If the PRC tax authorities determine that our overseas holding company or any other non-PRC entities are “PRC resident enterprises” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we would be subject to enterprise income tax at a rate of 25% on our global taxable income as well as PRC enterprise income tax reporting obligations. In addition, although under the EIT Law and its Implementing Rules, dividends income between qualified PRC resident enterprises is tax-exempted, it is not clear how the qualified PRC resident enterprise is defined under the EIT Law. As a result, there is no assurance that we would enjoy such tax exempt treatment on dividends payable to us from our PRC subsidiaries. Finally, if interest paid on the Note to our non-PRC Note holders or gains derived by our non-PRC Note holders from transferring the Notes are treated by the PRC taxation authorities as income derived from sources within the PRC, such interest and gains may be subject to a 10% withholding tax (or a lower treaty rate, if any), provided that the non-PRC Note holders are “non PRC resident enterprises” without any establishment or place within China or that such interest or gains have no connection with the establishment or place of the non-PRC Note holders in the PRC. Furthermore, if we are considered a PRC resident enterprise and relevant PRC tax authorities consider interest we pay with respect to the Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by non-resident individuals may be subject to PRC income tax (which, in the case of interest, may be withheld by us) at a rate of 20% (or a lower treaty rate, if any).

If we were treated as a PRC resident enterprise and were required to withhold PRC tax on payments of interest, we would be required to withhold PRC tax on interest payable to certain of our non-resident Note holders and pay, subject to certain exceptions, additional amounts with respect to such withholding, which may have an adverse effect on our cash flows. If we fail to perform such withholding obligation, we may be subject to substantial fines, which could have an adverse effect on our results of operations.

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

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (Guo Shui Han [2009] No. 698) (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(國稅函[2009]698號)) (“SAT Circular 698”) issued by the State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers its equity interest in a PRC resident enterprise to its related party, and the taxable income is reduced due to its transfer price not being in line with the principle of arm’s-length transaction, the tax authorities shall have the authority to make adjustment using reasonable method.

SAT Circular 698 and the Announcement of the State Administration of Taxation on Several Issues Concerning Enterprise Income Tax on Indirect Transfers of Properties by Non-Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(國稅函[2015]7號)) (“SAT Circular 7”), which was promulgated by the SAT and became effective on February 3, 2015, states that indirect transfers by non-resident enterprises of equity interests or other assets of a PRC resident enterprise through arrangements that are not for a bona fide commercial purposes but for purpose of avoiding enterprise income tax payment obligations shall, in accordance with the EIT Law, be classified by the competent PRC tax authorities as direct transfers of equity interests or other assets of the resident enterprise. Furthermore, in accordance with general anti-avoidance principles of PRC law, where a non-resident enterprise transfers equity interests in a PRC resident enterprise to related parties and the taxable income is reduced as a result of the transfer price not being determined according to an arm’s length negotiation standard, the tax authorities may determine the amount of taxable income according to an objective valuation of the appropriate purchase price.

Although there are principal provisions in the EIT Law and its implementation regulations concerning what constitutes arm's length price determination and objective measures, there is uncertainty as to the application of SAT Circular 698 and SAT Circular 7. For example, there is uncertainty on how to determine bona fide commercial purposes, on under what circumstances the transfer of equity interests in a PRC resident enterprise would be considered as not being in conformity with the principle of arm's-length transaction, and on the type of method the tax authorities may adopt to adjust the taxable income. This will depend on how the PRC tax authorities interpret, apply and enforce SAT Circular 7, SAT Circular 698 and the EIT Law and its implementation regulations.

As a result, we may become at risk of being taxed under SAT Circular 698 and SAT Circular 7 due to any transfer of equity interest in our group companies. We may be required to incur additional tax-related expenses or otherwise allocate significant resources to comply with SAT Circular 698 and SAT Circular 7, or to establish that we should not be taxed under SAT Circular 698 and SAT Circular 7, which may have a material adverse effect on our financial condition and results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little value as precedents in subsequent legal proceedings. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us. We cannot predict the effects of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all. An inability to obtain such permits or authorizations may have a material adverse effect on our business, financial condition and results of operations.

It may be difficult to serve process within the PRC or to enforce any judgments obtained from non-PRC courts against us or our directors.

Most of our operating subsidiaries are incorporated in the PRC, and a substantial portion of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of judgments of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. An Arrangement between China and Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was executed on July 14, 2006. However, there are many restrictions on such arrangement. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our directors pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC might be difficult or impossible.

The implementation of the PRC Labor Contract Law and the Implementation Regulation for the PRC Labor Contract Law may increase our operating expenses and may adversely affect our business and results of operations.

On June 29, 2007, the Standing Committee of the National People's Congress enacted the PRC Labor Contract Law (the "Labor Contract Law"), which became effective on January 1, 2008, and was amended on December 28, 2012 with effect from July 1, 2013. The Implementation Regulation for the PRC Labor Contract Law (the "Implementation Regulation"), was promulgated by the State Council and took effect on September 18, 2008. The Labor Contract Law formalizes, among others, worker's rights concerning overtime hours, pensions and layoffs, the execution, performance, modification and termination of the labor contracts, the clauses of the labor contract and the role of trade unions herein. In particular, it provides for specific standard and procedures for entering into non-fixed-term labor contracts as some of our employees do. Either the employer or the employee is entitled to terminate the labor contract in circumstances as prescribed in the Labor Contract Law or if certain precondition is fulfilled, and in certain cases, the employer is required to pay a statutory severance upon the termination of the labor contract pursuant to the standards provided by the Labor Contract Law.

As the Labor Contract Law and its Implementation Regulation have not been enforced for a very long period by now, substantial uncertainty remains as to its potential impact on our business and results of operations. The implementation of the Labor Contract Law and the Implementation Regulation may increase our operating expenses, in particular our costs of human resources and our administrative expenses. In the event that we decide to significantly modify our employment or labor policy or practice, or reduce the number of our employees or otherwise, the Labor Contract Law may also limit our ability to effectuate the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business and results of operations.

In addition, the Social Insurance Law of the PRC (the “Social Insurance Law”), was promulgated on October 28, 2010 and took effect on July 1, 2011. The implementation of the Social Insurance Law could increase our staff costs and expenses associated with social insurance payable in the PRC. As the Social Insurance Law is a newly enacted law, substantial uncertainty remains as to its implementation and interpretation by governmental authorities in the PRC and its potential impact upon our business, financial condition and results of operations.

Risks Relating to the Notes

The Company is a holding company and payments with respect to the Notes are effectively subordinated to certain liabilities, contingent liabilities and obligations of our subsidiaries.

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

Creditors, including trade creditors of Non-Guarantor Subsidiaries, would have a claim on the Non-Guarantor Subsidiaries’ assets that would be prior to the claims of the holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2015, our PRC subsidiaries had bank and other loans in the amount of RMB1,995.2 million (US\$321.8 million) and capital commitments in the amount of approximately RMB2,222.9 million (US\$358.5 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantors (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantors (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to, a third party of an equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

We have incurred significant indebtedness and may incur substantial additional indebtedness in the future, which could materially and adversely affect our financial condition and could further intensify the risks associated with our leverage.

We have significant indebtedness outstanding. As of June 30, 2015, our total borrowings amounted to approximately RMB2,696.3 million (US\$434.9 million). In addition, we and our subsidiaries may from time to time incur substantial additional indebtedness. Although the Indenture limits us and our subsidiaries from incurring additional debt, these limitations are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we and our subsidiaries face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness could have important consequences to holders of the Notes. For example, it could:

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur certain indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio (as defined in the section entitled “Description of the Notes”). The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges (each as defined in the section entitled “Description of the Notes”). Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA could be substantially larger when compared to other similarly situated PRC issuers whose covenants do not include such unrealized gains in the definition of Consolidated Net Income. As a result, our ability to incur additional debt under the Fixed Charge Coverage Ratio could be substantially larger when compared to other issuers. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If our onshore subsidiaries incur additional debt, the ratings assigned to the Notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See “—The Ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future.”

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing existing indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms.

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 may not be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled “Description of Material Indebtedness and Other Obligations.” Such restrictions in the Indenture and our other financing arrangements may

negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

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

The Indenture for the Notes and the indenture governing the Convertible Notes include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

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

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other property developers and business partners. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own an equity interest of 50% or less), and such joint ventures may or may not be Restricted Subsidiaries. Although the indenture governing the Notes 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 Unrestricted Subsidiaries and minority owned joint ventures in aggregate amount not to exceed 15% of our total assets without having to satisfy the Fixed Charge Coverage Ratio. See “Description of the Notes—Limitation on Restricted Payments” and the definition of “Permitted Investment” in “Description of the Notes.”

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

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these

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

In addition, we are subject to restrictive and financial covenants in the loan agreements between us and certain banks. If we fail to comply with these restrictive and financial covenants, our lenders may be entitled to require additional guarantees from us, and in the event we cannot provide those additional guarantees, our lenders may be entitled to accelerate the repayment of the loans, in which case our business, financial condition and results of operations will be materially and adversely affected. We also cannot assure you that the collateral that we have pledged or which may be pledged to our lenders will not be subject to enforcement actions, in which case we may lose control and ownership of our assets and our business, results of operations, financial condition and prospects may be materially and adversely affected. We are currently not in compliance with certain financial covenants under some of our loans but we have obtained confirmations from all of the relevant lending banks that they will not require additional guarantees. For more information on the financial covenants under our loans and our non-compliance under these covenants, see “Description of Material Indebtedness and Other Obligations—PRC Loan Agreements—Financial Covenants.” We may not be able to comply with all the financial covenants under our loan agreements and we may not be able to obtain confirmations from the lending banks that they will not require additional guarantee for the loans for which we are not in compliance with and that the relevant lending banks will not take enforcement actions under the relevant loan agreements, in which case our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our subsidiaries and associates 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 payment on intercompany loans or advances from our subsidiaries and associates to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries and associates 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 and the repayment of intercompany loans or advances to us and our subsidiaries. See “Description of Material Indebtedness and Other Obligations — PRC Loan Agreements — Dividend Restrictions.” In addition, if any of our subsidiaries or associates raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries and associates, which would restrict our ability to meet our payment obligations under the Notes, the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees and the obligations of the JV Subsidiary Guarantors (if any) under the JV Subsidiary Guarantees.

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 IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries and associates 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 will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such restrictions tax rate may be lowered to 5%. However, according to current PRC tax regulations, an approval from the local tax authority for

enjoying the 5% withholding tax rate is required and such lower rate will be denied to “conduit” or shell companies without business substance. As a result, there could be restrictions, including timing limitations, on payments from our PRC subsidiaries and associates to meet payments required by the Notes, to satisfy the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees or the Subsidiary Guarantors (if any) under the JV Subsidiary Guarantees and to redeem the Notes for any early redemption.

As a result of the foregoing, we may not have sufficient cash flow from dividends from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

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

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

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

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations.

These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

Because the Company is incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us 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 Subsidiary Guarantors are incorporated or may be incorporated in the British Virgin Islands, Hong Kong, or other jurisdictions and the insolvency laws of such jurisdictions may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

A significant portion of our business operations is conducted through our subsidiaries in China. Certain of 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. PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

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

The Notes are denominated in U.S. dollars, while a majority of our revenue is generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to a series of reforms of the

exchange rate system, effective March 17, 2014, Renminbi are allowed to fluctuate against the U.S. dollar by up to 2% above or below the central parity rate published by the PBOC. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our gearing may increase and our financial condition and results of operations could be adversely affected because part of our existing indebtedness and obligations are denominated in U.S. dollar. Such 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 Convertible Notes and the Notes and our ability to obtain future financings in foreign currencies.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In addition, following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their respective affiliates may enter into such hedging agreements permitted under the Indenture governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such agreements.

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

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

The Notes are a new issue of securities for which there is currently no trading market. Although approval in-principal has been received from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST, we may not obtain or be able to maintain a listing on the SGX-ST. In addition, if the Notes are listed, a liquid trading market may not develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act, and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Transfer Restrictions." We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

Moody's has assigned a corporate rating of "B2" to the Company with a stable outlook, S&P has assigned a corporate rating of "B" to the Company with a stable outlook, and Fitch has assigned a corporate rating of "B" to the Company with a stable outlook. The Notes are expected to be rated "B3" by Moody's, "B-" by S&P and "B" by Fitch. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to

revision, suspension or withdrawal at any time. A rating may not remain for any given period of time and it could be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

Our shares are listed on the SEHK and we are required to comply with the 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 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 may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers’ certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. These developments may occur in the future.

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering circular has been prepared in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, including the United States, which might be material to the financial information contained in this offering circular.

The transfer of the Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been registered under, and we are not obligated to register the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees 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. See “Transfer Restrictions.” We have not agreed to or otherwise undertaken to register the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (including by way of an exchange offer), and we have no intention to do so.

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the Notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The common depository for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to 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 or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. 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 with respect to all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See “Description of the Notes—Book-Entry; Delivery and Form.”

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

As described above, we may be treated as a PRC resident enterprise under the EIT Law. See “—Risks Relating to the PRC—We may be treated as a PRC tax resident, which may have an adverse effect on us and the holders of Notes.” If we are treated as a PRC resident enterprise under the EIT Law, we would be required to withhold PRC tax on interest payable to certain of our non-resident investors and pay, subject to certain exceptions, additional amounts with respect to such withholding tax. As described in “Description of the Notes—Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in tax law, including changes in existing official position or the stating of an official position that results in our being required to withhold tax due to our being treated as a PRC resident enterprise, we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

Certain of our initial Subsidiary Guarantors and JV Subsidiary Guarantors do not currently have significant operations.

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries.

Certain of the initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. The initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future may not have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable financial assistance, insolvency, corporate benefit or fraudulent transfer or unfair preference laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees.

Under bankruptcy laws, insolvency laws, fraudulent transfer laws, corporate benefit, financial assistance, insolvency or unfair preference or similar laws in the Cayman Islands, the British Virgin Islands, Hong Kong or other jurisdictions where future Subsidiary Guarantors or JV Guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that Subsidiary Guarantor or JV Subsidiary Guarantor if, among other things, the Subsidiary Guarantor or JV Subsidiary 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 Subsidiary Guarantee or JV Subsidiary 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 Subsidiary Guarantee or JV Subsidiary Guarantee not been given;
- received less than the reasonably equivalent value or fair consideration for the incurrence of such Subsidiary Guarantee or JV Subsidiary Guarantee or there was otherwise an absence of or insufficient corporate benefit under applicable laws;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the Subsidiary Guarantor's or JV Subsidiary 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 law of the jurisdiction which is being applied. Generally, the Subsidiary Guarantor or JV Subsidiary Guarantor would be considered insolvent at a particular time if it is unable to pay its debts as they fall due or if the sum of its debts was then greater than all of its property 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 on its existing debt as they became absolute and matured. The directors of the Subsidiary Guarantors and JV Subsidiary Guarantors should also ensure that the issued capital of the Subsidiary Guarantor or JV Subsidiary Guarantor is maintained and that, after this transaction, the Subsidiary Guarantor or JV Subsidiary Guarantor would have sufficient net assets to cover the nominal value of its issued share capital.

In addition, a Subsidiary Guarantee or JV Subsidiary Guarantee may be subject to review under applicable financial assistance, insolvency, corporate benefit or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the Subsidiary Guarantors and JV Subsidiary Guarantors. In such case, the analysis set forth above would generally apply, except that the Subsidiary Guarantee or JV Subsidiary Guarantee 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 (as the case may be), voidable under such applicable insolvency, corporate benefit or fraudulent transfer laws.

If a court voided a Subsidiary Guarantee or JV Subsidiary Guarantee, subordinated such guarantee to other indebtedness of a Subsidiary Guarantor or JV Subsidiary Guarantor, or held the Subsidiary Guarantee or JV Subsidiary Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) and any preferred stock of such Subsidiary Guarantor or JV Subsidiary Guarantor and would solely be creditors of us and any Subsidiary Guarantor and JV Subsidiary Guarantor whose guarantee was not voided or held unenforceable. After providing for all prior claims, there may not be sufficient assets to satisfy the claims of such holders of the Notes.

A Subsidiary Guarantee or JV Subsidiary Guarantee may be released in event of an initial public offering of the Subsidiary Guarantor or JV Subsidiary Guarantor.

A Subsidiary Guarantee or JV Subsidiary Guarantee given by a Subsidiary Guarantor or JV Subsidiary Guarantor may be released in the event of an initial public offering of the Subsidiary Guarantor or JV Subsidiary Guarantor in certain circumstances. For example, upon an initial public offering of any Subsidiary Guarantor or JV Subsidiary Guarantor, the guarantee provided by such Subsidiary Guarantor or JV Subsidiary Guarantor will be released provided such initial public offering and such sale of shares complies with the limitations set forth in the Indenture. Where a Subsidiary Guarantee or JV Subsidiary Guarantee is released in such instance, in the event of a bankruptcy, liquidation or reorganization of any such Subsidiary or JV Subsidiary, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of that Subsidiary or JV Subsidiary before any assets are available for distribution to us or any of our other Subsidiary Guarantors or JV Subsidiary Guarantors. The Notes, therefore, will be structurally subordinated to other liabilities of such Subsidiary or JV Subsidiary, including liabilities owed to trade creditors.

The Guarantees and JV Subsidiary Guarantees (if any) are subject to certain limitations that may affect their validity or enforceability.

Enforcement of the Guarantees or JV Subsidiary Guarantees (if any) will be subject to certain generally available defenses. Local laws and defenses may vary, and may include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, subordination and capital maintenance or similar laws and concepts. They may also include regulations or defenses which affect the rights of creditors generally.

If a court were to find a guarantee given by the Company, a Subsidiary Guarantor, or a JV Subsidiary Guarantor, or a portion thereof, void or unenforceable as a result of such local laws or defenses, or to the extent that agreed limitations on the Guarantees or JV Subsidiary Guarantees apply, the Noteholders would cease to have any claim in respect of that company and would be creditors solely of the Issuer and, if payment had already been made under the Guarantees or JV Subsidiary Guarantees, the court could require that the recipient return the payment to the relevant company.

The pledge of certain Collateral may in some circumstances be voidable.

The pledge of the Collateral may be voidable as a preference or other grounds in respect of transactions at an undervalue and fraudulent dispositions under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the British Virgin Islands 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 or other grounds in respect of transactions at an undervalue and fraudulent dispositions 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 financial assistance, insolvency, corporate benefit or fraudulent transfer or unfair preference laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees” above. If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

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

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

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

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

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

The pledge of certain Collateral may be released under certain circumstances.

In the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. In addition, if we dispose of not less than 20% and no more than 49.9% of the shares of a Subsidiary Guarantor, the Subsidiary Guarantees provided by such Subsidiary Guarantor and its subsidiaries, and the collateral comprising the shares of these companies, may be released if the consolidated assets of our non-PRC subsidiaries that do not guarantee the Notes do not account for more than 10.0% of our total assets immediately following such release. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

The Trustee may request the holders of the Notes to provide an indemnity and/or security to its satisfaction.

In certain circumstances the Trustee may (at its sole discretion) request the holders of the Notes to provide an indemnity and/or security to its satisfaction before it takes actions on behalf of the holders of the Notes. The Trustee shall not be obliged to take any such actions if not indemnified to its satisfaction. Negotiating and agreeing to an indemnity and/or security can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security to it, in breach of the terms of the Indenture governing the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

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

The Security Agent (as defined under “Description of the Notes—Definitions”) is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes, the holders of the Convertible Notes and holders (or representatives or agents) of the Permitted *Pari Passu* Secured Indebtedness (as defined under “Description of the Notes—Definitions”), given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Security Agent will

adversely affect the Company's entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the Notes. Further, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Security Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Notes holding 25% of the outstanding amount of the Notes and holders, creditors or representatives of the Convertible 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 Security Agent to take enforcement action against the Collateral. By virtue of the instructions given to the Security Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes and the Subsidiary Guarantees.

The Security 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 Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that conflict with the interests of the holders of the Notes. The Security Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes and the Convertible Notes unless such holders have offered to the Security Agent indemnity and/or security satisfactory to the Security Agent against any loss, liability or expense.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$96.5 million. We intend to use the net proceeds for financing the acquisition of land-use rights and the development of our projects under development and projects held for future development, for repayment of debts and for general corporate purposes.

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

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of the SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The value of the Renminbi against the U.S. dollar appreciated on the same day by approximately 2% and has since appreciated significantly in general. The PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On May 18, 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was to be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. In April 2012, this trading band has been widened to 1%, and in March 2014 it was widened further to 2%, which allows the Renminbi to fluctuate against the U.S. dollar by up to 2% above or below the central parity rate published by the PBOC. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The PRC government may from time to time make further adjustments to the exchange rate system in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified by the Federal Reserve Bank of New York for customs purposes for the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

	Noon buying rate			
	Period end	Average ⁽¹⁾	Low	High
	RMB per US\$1.00			
Period				
2010	6.6000	6.7603	6.6000	6.8330
2011	6.2939	6.4475	6.2939	6.6364
2012	6.2301	6.2990	6.2221	6.3879
2013	6.0537	6.1412	6.0537	6.2438
2014	6.2046	6.1704	6.0402	6.2591
2015				
May	6.1980	6.2035	6.1958	6.2086
June	6.2000	6.2052	6.1976	6.2086
July	6.2097	6.2088	6.2044	6.2097
August	6.3760	6.3383	6.2086	6.4122
September	6.3556	6.3676	6.3544	6.3836
October	6.3180	6.3505	6.3180	6.3591
November (through November 27) ..	6.3945	6.3627	6.3180	6.3945

(1) Annual averages are calculated using the average of month-end rates of the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

Hong Kong

The Basic Law of Hong Kong (the “Basic Law”), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong. The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The central element in the arrangements that gave effect to the peg is that by agreement between the Hong Kong government and the three Hong Kong banknote issuing banks (i.e. HSBC, Standard Chartered Bank and Bank of China), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars, at the fixed exchange rate of HK\$7.80 to US\$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate that applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. In May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK\$7.80 to US\$1.00 to a rate range of HK\$7.75 to HK\$7.85 to US\$1.00. The Hong Kong government has stated its intention to maintain the link at that rate, and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law. The Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link within the range of HK\$7.75 to HK\$7.85 per US\$1.00, or at all, or will not in the future impose exchange controls.

The following table sets forth the noon buying rates for U.S. dollars in New York City for cable transfers in Hong Kong dollars as certified by the Federal Reserve Bank of New York for customs purposes for the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	Low	High
	HK\$ per US\$1.00			
2010	7.7810	7.7692	7.7501	7.8040
2011	7.7663	7.7793	7.7634	7.8087
2012	7.7507	7.7569	7.7493	7.7699
2013	7.7539	7.7565	7.7503	7.7654
2014	7.7531	7.7554	7.7495	7.7669
2015				
May	7.7535	7.7527	7.7505	7.7594
June	7.7513	7.7528	7.7513	7.7567
July	7.7514	7.7514	7.7502	7.7553
August	7.7500	7.7530	7.7627	7.7627
September	7.7499	7.7501	7.7495	7.7511
October	7.7496	7.7499	7.7495	7.7503
November (through November 27) ..	7.7507	7.7504	7.7498	7.7518

(1) Annual averages are calculated using the average of month-end rates of the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated current borrowings and capitalization as of June 30, 2015:

- on an actual basis; and
- on an adjusted basis to give effect to the issuance of the Notes and receipt of the net proceeds from this offering after deducting the underwriting discounts and commissions and other estimated expenses relating to this offering payable by us.

You should read this table in conjunction with our consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this offering circular.

	As of June 30, 2015			
	Actual		As adjusted	
	RMB'000	US\$'000	RMB'000	US\$'000
Current borrowings				
Short-term bank loans and other borrowings—secured	200,000	32,258	200,000	32,258
Current portion of non-current bank loans and other borrowings—secured ..	601,150	96,960	601,150	96,960
Total current borrowings	801,150	129,218	801,150	129,218
Non-current borrowings				
Bank loans and borrowings—secured	1,194,000	192,581	1,194,000	192,581
Convertible Notes	701,133	113,086	701,133	113,086
Notes offered hereby	—	—	598,300	96,500
Total non-current borrowings	1,895,133	305,667	2,493,433	402,167
Total borrowings	2,696,283	434,885	3,294,583	531,385
Equity				
Share capital	31,825	5,133	31,825	5,133
Reserves	4,341,439	700,232	4,341,439	700,232
Total equity attributable to equity shareholders of the Company	4,373,264	705,365	4,373,264	705,365
Non-controlling interests	170,647	27,524	170,647	27,524
Total equity	4,543,911	732,889	4,543,911	732,889
Total capitalization ⁽¹⁾	6,439,044	1,038,556	7,037,344	1,135,056

(1) Total capitalization equals total non-current borrowings plus total equity of the Company.

Except as otherwise disclosed in this offering circular, there has been no material change in our capitalization and indebtedness since June 30, 2015.

SELECTED CONSOLIDATED FINANCIAL DATA

The summary consolidated statement of profit or loss for the years ended December 31, 2012, 2013 and 2014 and the summary consolidated statement of financial position as of December 31, 2012, 2013 and 2014 below have been derived from our audited consolidated financial statements included elsewhere in this offering circular. The summary consolidated statement of profit or loss for the six months ended June 30, 2014 and 2015 and the summary consolidated statement of financial position as of June 30, 2015 below have been derived from our unaudited consolidated financial statements included elsewhere in this offering circular. These unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of our management, include all adjustments considered necessary for a fair presentation of the financial position and results of operations for such periods. Results for interim periods are not indicative of results for the full year. You should read the summary financial data below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this offering circular. Historical results are not necessarily indicative of results that may be achieved in any future period. Our consolidated financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

Selected Consolidated Statement of Profit or Loss

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Turnover	1,607,114	4,756,464	3,360,189	541,966	974,115	950,165	153,252
Cost of sales	(830,843)	(1,824,109)	(1,961,163)	(316,317)	(354,229)	(511,981)	(82,578)
Gross profit	776,271	2,932,355	1,399,026	225,649	619,886	438,184	70,674
Other revenue	1,377	5,353	5,655	912	3,576	64,138	10,345
Other net income	(5)	14,562	43,652	7,041	32,875	1,106	178
Selling and distribution expenses	(62,220)	(129,464)	(182,263)	(29,397)	(72,880)	(82,791)	(13,353)
Administrative and other							
operating expenses	(194,366)	(335,572)	(439,797)	(70,935)	(218,289)	(239,535)	(38,635)
Profit from operations before							
fair value gain on investment							
properties	521,057	2,487,234	826,273	133,270	365,168	181,102	29,209
Fair value gain upon transfer of							
completed properties held for							
sale to investment properties ...	-	-	-	-	-	277,643	44,781
Profit from operations after							
fair value gain on investment							
properties	521,057	2,487,234	826,273	133,270	365,168	458,745	73,990
Share of loss of a joint venture ...	(3,111)	-	-	-	-	-	-
Gain on disposal of a subsidiary .	306,551	-	-	-	-	-	-
Finance income	1,374	11,079	19,993	3,225	7,837	7,396	1,193
Finance costs	(73,241)	(70,183)	(8,840)	(1,426)	(808)	(65,263)	(10,526)
Fair value change on embedded							
derivative on redeemable							
convertible preference shares ..	(292,348)	(103,271)	-	-	-	-	-
Fair value change on embedded							
derivative component of the							
Convertible Notes	-	-	-	-	-	59,264	9,559
Profit before taxation	460,282	2,324,859	837,426	135,069	372,197	460,142	74,216
Income tax expense	(245,491)	(1,148,896)	(330,961)	(53,381)	(153,114)	(179,448)	(28,943)
Profit for the year/period	214,791	1,175,963	506,465	81,688	219,083	280,694	45,273

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Profit attributable to:							
Equity owners of our Company ..	216,506	1,177,782	512,053	82,589	220,896	271,081	43,723
Non-controlling interests	(1,715)	(1,819)	(5,588)	(901)	(1,813)	9,613	1,550
Other comprehensive income for the year/period (after tax and reclassification adjustments)							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of financial statements of subsidiaries outside Mainland China, net of nil tax	893	11,576	13,449	2,169	6,903	1,413	228
Available-for-sale investments:							
Net movement in fair value reserve	—	—	—	—	4,790	—	—
Total comprehensive income for the year/period	215,684	1,187,539	519,914	83,857	230,776	282,107	45,501
Attributable to:							
Equity owners of our Company ..	217,399	1,189,358	525,502	84,758	232,562	272,494	43,951
Non-controlling interests	(1,715)	(1,819)	(5,588)	(901)	(1,786)	9,613	1,550
	215,684	1,187,539	519,914	83,857	230,776	282,107	45,501

Selected Consolidated Statement of Financial Position

	As of December 31,				As of June 30,	
	2012	2013	2014		2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
ASSETS						
Non-current assets						
Property, plant and equipment	45,647	61,031	92,704	14,952	78,855	12,719
Investment properties	–	–	–	–	760,000	122,581
Intangible assets	441	1,329	3,038	490	4,144	668
Goodwill	–	2,252	3,631	586	3,631	586
Other non-current financial assets	19,800	23,618	25,779	4,158	31,187	5,030
Deferred income tax assets	122,247	213,913	293,572	47,350	335,011	54,034
Prepayment for acquisition of property, plant and equipment	–	–	368,535	59,441	368,535	59,441
	<u>188,135</u>	<u>302,143</u>	<u>787,259</u>	<u>126,977</u>	<u>1,581,363</u>	<u>255,059</u>
Current assets						
Inventories	3,303,546	5,390,826	7,688,692	1,240,112	8,633,815	1,392,551
Current tax assets	95,230	111,762	188,991	30,482	212,644	34,297
Trade and other receivables, prepayments and deposits	948,577	682,941	1,133,893	182,886	1,539,213	248,260
Amounts due from related parties	796	–	–	–	–	–
Restricted cash	22,442	103,031	198,155	31,960	248,300	40,048
Available-for-sale investments	–	120,000	37,000	5,968	600	97
Cash and cash equivalents	584,379	4,292,994	1,819,029	293,392	1,402,993	226,289
	<u>4,954,970</u>	<u>10,701,554</u>	<u>11,065,760</u>	<u>1,784,800</u>	<u>12,037,565</u>	<u>1,941,542</u>
Total assets	<u>5,143,105</u>	<u>11,003,697</u>	<u>11,853,019</u>	<u>1,911,777</u>	<u>13,618,928</u>	<u>2,196,601</u>
EQUITY						
Capital and reserves						
Share capital	365	31,945	31,825	5,133	31,825	5,133
Reserves	949,417	4,389,126	4,260,304	687,146	4,341,439	700,232
Total equity attributable to equity shareholders of the Company	949,782	4,421,071	4,292,129	692,279	4,373,264	705,365
Non-controlling interests	106,285	10,717	81,034	13,070	170,647	27,524
Total equity	<u>1,056,067</u>	<u>4,431,788</u>	<u>4,373,163</u>	<u>705,349</u>	<u>4,543,911</u>	<u>732,889</u>
LIABILITIES						
Non-current liabilities						
Bank loans and other borrowings	60,000	602,000	1,192,600	192,355	1,194,000	192,581
Convertible Notes	–	–	–	–	701,133	113,086
Deferred income	3,316	5,843	5,843	942	6,851	1,105
Redeemable convertible preference shares	581,412	–	–	–	–	–
Embedded derivative liabilities on redeemable convertible preference shares	292,502	–	–	–	–	–
Deferred tax liabilities	–	63,038	–	–	69,410	11,195
	<u>937,230</u>	<u>670,881</u>	<u>1,198,443</u>	<u>193,297</u>	<u>1,971,394</u>	<u>317,967</u>
Current liabilities						
Trade and other payables	1,712,620	3,828,104	3,975,215	641,164	4,550,736	733,989
Bank loans and other borrowings	689,000	281,860	369,500	59,597	801,150	129,218
Convertible Notes—interest payable	–	–	–	–	22,539	3,635
Current tax liabilities	225,693	932,982	1,054,385	170,062	817,965	131,930
Amounts due to related parties	1,228	–	–	–	–	–
Deferred income	521,267	858,082	882,313	142,309	911,233	146,973
	<u>3,149,808</u>	<u>5,901,028</u>	<u>6,281,413</u>	<u>1,013,132</u>	<u>7,103,623</u>	<u>1,145,745</u>
Total liabilities	<u>4,087,038</u>	<u>6,571,909</u>	<u>7,479,856</u>	<u>1,206,428</u>	<u>9,075,017</u>	<u>1,463,712</u>
Total equity and liabilities	<u>5,143,105</u>	<u>11,003,697</u>	<u>11,853,019</u>	<u>1,911,777</u>	<u>13,618,928</u>	<u>2,196,601</u>
Net current assets	<u>1,805,162</u>	<u>4,800,526</u>	<u>4,784,347</u>	<u>771,669</u>	<u>4,933,942</u>	<u>795,797</u>
Total assets less current liabilities .	<u>1,993,297</u>	<u>5,102,669</u>	<u>5,571,606</u>	<u>898,646</u>	<u>6,515,305</u>	<u>1,050,856</u>

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

You should read this section in conjunction our consolidated financial statements, including the notes thereto, included elsewhere in this offering circular. Our financial statements have been prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including the United States. This discussion contains forward-looking statements. There may be future events that we are unable to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements.

Overview

We are a leading developer and operator of large-scale trade centers in China. As of June 30, 2015, we were simultaneously developing and operating 13 projects in nine provinces and autonomous regions in China, ten of which were large-scale trade centers. We ranked first based on our number of large-scale trade centers in China and ranked second based on our aggregate estimated and uncompleted GFA of large-scale trade centers in China as of December 31, 2014, according to the Savills Report. As of June 30, 2015, we had a total land bank of 10.4 million sq.m.

Our business focuses on the development and operation of large-scale trade centers in third- and fourth-tier, and selected second-tier, cities in China. We currently generate most of our turnover through the sales of properties and we expect to generate an increasing portion of turnover through rental income in the future. We seek to develop each trade center project into the largest integrated commercial complex in the local region for the wholesale and retail sale of a wide range of products including hardware, electric tools, building materials, furniture and home furnishings, home electronics, apparel and small goods. We design our trade centers to seamlessly integrate the wholesale trading market properties with other on-site facilities such as shopping malls, exhibition and conference centers, hotels, residential and office space, warehouses and other logistics facilities.

Our business is strategically positioned to benefit from two significant industry and regulatory trends in China—a shift in the government's urbanization focus from major cities to small- and mid-sized cities and increasing government support for the development of wholesale markets. In the Twelfth Five-Year Plan (2011-2015), the PRC government announced its focus on the urbanization of small- and mid-sized cities. We believe the urbanization of small- and mid-sized cities will be one of the major drivers for China's economic growth in the coming decade. The urbanization of these cities will require a more streamlined flow of goods, the creation of efficient wholesale networks and a significant increase in domestic consumption—changes that our trade center projects are well positioned to facilitate. In addition, the government adopted a policy of increasing domestic consumption and explicitly stated its plan to promote integrated wholesale trading markets and large-scale trade and logistics enterprises. According to the Savills Report, the trade center industry is growing rapidly as evidenced by the fact that the total GFA of trade centers in China more than doubled and gross merchant sales of trade centers more than tripled between 2005 and 2013. We have a proven business model that focuses on property sales to owners of SMEs in regions where we develop and operate our trade centers. We are committed to the long-term success of our trade center projects by catering to the preferences of SMEs in these regions in China to own, instead of lease, properties to conduct their businesses. We plan the early stages of our development projects to consist primarily of properties for sale, such as wholesale trading market units, and seek to sell the vast majority of our properties to SMEs who will actively conduct business at our trade centers. As a result, the continued growth of our customers' businesses is firmly supported by the bustling commercial environment at our trade centers which we believe contributes to the value appreciation of their purchased properties. Sales proceeds from the earlier stages of our development projects also significantly reduce our dependence on alternative financial resources to meet our working capital requirements. The success of our initial-stage sales and the development of an active trading environment also allow us to increase the sales and lease prices of our properties and capture higher property value in later development stages. As our current development projects enter later phases of development, typically three to five years after the initial development, we plan to retain a proportion of trade center properties as investment properties for long-term recurring income and capital appreciation.

Our projects typically receive strong support from various government authorities, reflecting the scale of our trade center projects, our compelling value propositions and our management's depth of experience in developing trade center projects that we believe have benefited the local economies. Local government authorities' recognition of our value proposition, coupled with our strong execution capability including our disciplined approach to land selection and acquisition process, is reflected in our ability to consistently acquire high quality land at competitive costs. In addition, in line with the common practice for local governments to provide monetary support to trade center developers in China, we have historically received significant government grants in support of our trade center projects, and expect to continue to receive government grants for our existing trade center projects. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Government Grants."

In 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our turnover was RMB1,607.1 million, RMB4,756.5 million, RMB3,360.2 million (US\$542.0 million), RMB974.1 million and RMB950.2 million (US\$153.3 million), respectively. Our profit for the period was RMB214.8 million, RMB1,176.0 million and RMB506.5 million (US\$81.7 million), RMB219.1 million and RMB280.7 million (US\$45.3 million) over the same respective periods. Our gearing ratio (calculated as total interest bearing borrowings (includes bank loans and other borrowings, redeemable convertible preference shares and convertible notes) divided by total assets) was 25.9%, 8.0%, 13.2%, 15.1% and 19.8% during the same respective periods. In the six months ended June 30, 2015, turnover from the sale of properties was the largest segment of our operations by revenue, amounting to RMB926.6 million (US\$149.5 million) and representing 97.5% of our total revenue.

Factors Affecting Our Results of Operations

Economic Growth and Regulatory Measures of the Real Estate Industry in China

Our trade center development business is highly dependent on the conditions of the commercial property market in China, which is in turn significantly affected by the general economic conditions in China as well as the regions in which we operate. Subsequent to the global financial crisis, the PRC government has focused on increasing domestic consumption and has sought to reduce the Chinese economy's reliance on exports. In particular, the Chinese government has adopted policies to shift the urbanization focus from major cities to small- and mid-sized cities and to increase the government support of wholesale trading markets which we believe have significantly increased the volume of domestic trade and commerce activities in China. We believe that our business and operations will benefit from these favorable trends in the industry.

In addition, we are susceptible to the economic conditions in third- and fourth-tier, and selected second-tier, cities in China, where we focus on developing our business operations. Unlike the first-tier and some second-tier cities in China, third- and fourth-tier cities have remained relatively underdeveloped over the years and have only recently become the focus of China's national plan to further promote the urbanization process. The general economic conditions in these cities will continue to have a significant impact on, among other things, the availability of land resources, the number of customers, the pricing and sales volume of our property products and the profitability of our business.

Regulation of the Real Estate Industry in China

The real estate industry is heavily regulated in China, and the PRC government actively adjusts its regulation of the property market depending on macroeconomic conditions by regulating land supply, foreign exchange, property pre-sales, land usage, plot ratios, bank financing, interest rates, taxation and subsidies. Historically, various measures have been adopted to regulate and adjust the residential property markets in China. See "Regulation—Measures on Stabilizing Property Prices." The PRC national and local governments have broad power to regulate the commercial property market, although historically the regulatory efforts were more focused on the residential property market. As a result, the performance of the overall property market, in particular the commercial property market where we focus our operations, will continue to be affected by the PRC Government's policies and regulations.

GFA and Sales Prices of our Properties

Our turnover depends significantly on the GFA and average sales prices of our properties, which are in turn affected by various factors, including the location of our projects, the type of constituent buildings being sold and delivered, the expected occupancy level of our wholesale trading markets, the timing of our property development activities, the design and construction features of these properties, as well as the competitive position of our Company and our trade center project in the local market.

Like other property developers, our results of operations may vary significantly from period to period. In addition, given that we primarily engage in the development of large-scale trade center projects, typically with a total GFA of more than 400,000 sq.m., such fluctuation may be even more significant compared to other property developers focusing on a larger number of projects but each with a smaller scale. Given the differences in the types of properties sold and delivered, timing differences of various projects and other factors, our results of operations have fluctuated in the past and are likely to continue to significantly fluctuate in the future. Our historical results may not be indicative of future periods. See "Risk Factors—Risks Relating to Our Business and Industry—Our operating results are significantly affected by peaks and troughs in our property delivery schedule and seasonal factors."

Our sales prices are also affected by the general conditions of the local property market, including general demand for properties as well as the sales prices of comparable or similar properties. For example, the average sales price of our wholesale trading market units sold at Jining Trade Center was RMB4,452 per sq.m. for the six months ended June 30, 2015, compared to RMB8,499 per sq.m. at

Ganzhou Trade Center, due mainly to the differences in the general conditions of the local commercial property markets. As we focus on the development of trade center projects, a development process that typically takes several years to complete, the timing of our property sales, as well as GFA available for sale and sales prices will also depend on the progress of the project development.

Delays in construction, regulatory approvals and other processes can adversely affect the timetable of our projects. In addition, product mix in any given period may also be affected by the combination of constituent buildings across various development projects that we complete and deliver, depending on the progress made at our development projects during such period. In the past, we have been focused on developing trade center properties for sale. As we intend to retain an increasing proportion of property units for lease in later stages of our development process, our future turnover may also be affected by our property leases, such as the average leasing price and GFA of properties we designate for leasing.

Ability to Control Construction Costs

Our results are affected by our ability to control construction costs, which constitute a material component of our cost of sales. We generally engage external construction contractors for our project developments and our construction contracts with contractors generally provide for certain designated construction materials, including steel and concrete, to be purchased by our constructors. We also engage other contractors that provide various construction-related services, such as installation of air-conditioning units and elevators, interior decoration, and landscaping and gardening services, according to the requirements of each specific project. See “Business—Our Development Process—Project Construction.” Construction costs encompass all costs for the design and construction of a project and consist primarily of fees paid to our construction contractors, which vary based on various factors including geology and construction feature of the land site, type and size of the development, building design and construction materials. In the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we recorded construction costs of RMB829.6 million, RMB1,863.3 million, RMB1,751.6 million (US\$282.5 million) and RMB505.4 million (US\$81.4 million), representing 51.7%, 39.2%, 52.1% and 53.1% of our turnover in the respective periods.

Under our standard construction contracts, key building construction materials, such as steel and concrete, are generally procured by the construction contractors we engage and we typically designate the brands and quality requirements of these key construction materials as part of our construction agreement. The risk of price fluctuation for these materials is generally borne by these construction companies so long as the fluctuation is less than 5% of the stated contract price. In the event the fluctuation exceeds 5%, we are responsible for paying the extra amount in case of an increase and also enjoy the benefit in case of a decrease in price. Furthermore, prolonged increases in the price of construction materials may prompt contractors to change their fee quotes for new contracts, thus increasing our cost of sales and overall project cost. As a result, our profitability and results are dependent on our ability to effectively pass on any increase in land and construction costs to our customers through our pricing mechanism. At the headquarters level, we negotiate and arrange the purchase of certain large equipment, such as elevators, escalators and air-conditioning systems.

Ability to Acquire Quality Land at Acceptable Costs

Our continued growth depends in large part on our ability to acquire quality land at prices that can yield reasonable returns. We focus on third- and fourth-tier, and selected second-tier, cities in China. However, to support the continuing long-term growth of our business, we need to continue to look for suitable sites for future development projects. As the Chinese economy continues to grow and demand for trade center products continues to increase, especially in the regions where we focus our business operations as a result of the favorable government policies to promote urbanization in these regions, we expect competition among developers for land reserves suitable for trade center projects to intensify. The public tender, auction and listing-for-sale practices for granting state-owned land-use rights also increases competition for land development and land acquisition costs in third-and fourth-tier cities in China. We expect that land premiums will continue to rise in China in the foreseeable future. In addition, as the competition for quality land resources becomes more intense in small-and mid-sized cities, we face greater pressure in negotiating for and obtaining favorable governmental support in regions where we operate. See “Risk Factors—Risks Relating to Our Business and Industry—We may not be able to obtain sites that are suitable for trade center development projects at commercially acceptable prices, or at all.”

Our results of operations are significantly affected by land acquisition costs, which constitute a major component of our cost of sales. As such, our results of operations are also dependent on our ability to control land acquisition costs for our future development projects. We recorded cost of sales relating to land acquisition of RMB276.2 million, RMB502.2 million, RMB471.9 million (US\$76.1 million) and RMB90.9 million (US\$14.7 million) in the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, representing 17.2%, 10.6%, 14.0% and 9.6% of our turnover in the respective periods.

Nature, Timing and Seasonality of Our Property Development

The number of property developments that a developer can undertake during any particular period is limited due to the substantial capital requirements for land acquisitions and construction costs, limited land supply and the developer's limited management resources. Given that we primarily develop large-scale trade center projects with a total GFA of more than 400,000 sq.m., the number of property developments we undertake at any given time may be more limited than other property developers who focus on a large number of smaller projects.

Significant time is required for the successful completion of property developments and it may take months or years before any pre-sales take place. While the pre-sale of a property generates positive cash flows for us in the period in which it is made, we only recognize revenue upon the delivery of a property, which normally takes place nine to 12 months after the commencement of pre-sales. Our turnover and profit during any given period reflects the quantity of properties delivered during that period and are significantly affected by peaks or troughs in our property delivery schedule. As the delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing for delivery of such properties. In addition, effective management of our revenue stream depends on our ability to accurately predict, at the launch of a project, the expected market demand at the anticipated time of completion of that project. Our revenue and profit during any given period generally reflect decisions made by purchasers during the period when the properties were pre-sold. As a result, our operating results for any period are not necessarily indicative of the actual demand for our properties or the pre-sales and sales achieved during the relevant period nor are they indicative of expected results for any future period.

In addition, our ability to complete projects may also be affected by seasonal factors. We generally halt our construction work in some parts of northern China during the winter months between November and February, which delays the completion of those property development projects. Since we recognize revenue upon the delivery of our properties, seasonal variations have caused fluctuations in our interim results. As a result, our interim results are not indicative of our full year results and our results of operations have fluctuated in the past and are likely to continue to fluctuate from period to period in the future. See "Risk Factors—Risks Relating to Our Business and Industry—Our operating results are significantly affected by peaks and troughs in our property delivery schedule and seasonal factors" and "—Description of Selected Line Items of Consolidated Statement of Profit or Loss" included elsewhere in this offering circular.

Land Appreciation Tax

We generally acquire land-use rights directly from the local governments. Our property developments are subject to LAT, with respect to the appreciated value of the land. LAT applies to both domestic and foreign investors in real estate developments in China, and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. In addition, some of our subsidiaries were subject to LAT which were calculated based on 6% to 8% of their revenue in accordance with the authorized tax valuation method approved by local tax authorities. We recorded LAT expenses of RMB60.9 million, RMB687.3 million, RMB184.6 million (US\$29.8 million) and RMB49.7 million (US\$8.0 million) in the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. Provisions for LAT are made upon recognition of revenue. As a result, our results are susceptible to any significant increase in LAT expenses, which depends on the level of appreciation in land value as well as the amount of deductible costs and expenses, such as capitalized borrowing costs and applicable property development costs. As of the Latest Practicable Date, we had made all prepayments and/or full provisions for LAT in compliance with the relevant LAT laws and regulations in China as interpreted and enforced by the relevant local tax authorities. However, the relevant tax authorities may not agree to the basis on which we have calculated our LAT for provision purposes, and such provisions may not be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Our financial condition and results of operations may be materially adversely affected if our LAT as calculated by the relevant tax authorities are substantially higher than our provisions.

Access to Capital and Cost of Financing

Bank loans and other borrowings are important sources of funding for our property developments. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our outstanding bank loans and other borrowings amounted to RMB749.0 million, RMB883.9 million, RMB1,562.1 million (US\$252.0 million) and RMB1,995.2 million (US\$321.8 million), respectively. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our aggregate interest paid on bank loans and other borrowings (before capitalization of interest expenses into properties under development) were RMB61.9 million, RMB108.6 million, RMB124.8 million (US\$20.1 million) and RMB65.6 million (US\$10.6 million), respectively. As commercial banks in China link the interest rates on their loans to PBOC benchmark interest rates, any increase in such benchmark interest rates will increase our finance

costs. For further information, see “Risk Factors—Risks Relating to Our Business and Industry—Our financing costs may be affected by changes in interest rates in China and abroad.” While we also had other borrowings, such as borrowings made from domestic trust companies in China, such lenders do not usually link their interest rates to the PBOC benchmark interest rates and typically charge rates that are higher than those charged by commercial banks in China. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government and by financial institutions on bank lending for property development. Additionally, a general increase in the demand for loans in China or in regions where we operate may increase applicable interest rates, resulting in additional interest costs for us.

Government Grants

We receive government grants in connection with our trade center projects in Ningxiang, Jining, Yulin, Mianyang, Wuzhou, Ganzhou, Heze, Xingning, Yantai, Bengbu and Lanzhou, as well as Haode Yinzuo. In 2012, 2013 and 2014 and the six months ended June 30, 2015, we recognized government grants of RMB586.9 million, RMB957.8 million, RMB345.7 million (US\$55.8 million) and RMB202.8 million (US\$32.7 million), respectively, of which RMB285.2 million, RMB620.9 million, RMB321.5 million (US\$51.9 million) and RMB114.2 million (US\$18.4 million) have been credited to cost of sales during the same periods.

We generally do not commit to a project if the government grant to be provided by the local authorities has significant or unusual on-going obligations and conditions to be assumed or fulfilled by us, such as any condition that we expect to have a reasonable level of uncertainty or difficulty in achieving. Given that government grants are generally provided to subsidize the development projects we undertake, we believe that our primary obligation in connection with the government grant is to develop the project based on the schedule approved by and the requirements set forth by the local authority. In particular, such obligations and conditions include, among other things, (i) completing the construction plan of the project and related facilities on a timely basis, (ii) commencing, progressing and completing the construction work based on the schedule filed with the local authorities from time to time, and (iii) commencing and completing the pre-sale of properties and delivering the relevant property to purchasers. Government grants have been paid by installments based on the progress made in regard to our development projects. In particular, based on our past dealing experience with local governments, the payments were generally made at the local governments’ discretion after taking into consideration our progress in meeting the obligations and conditions, including key development stages such as project planning, construction work, pre-sale and property delivery. We (i) have not experienced any material delay in receiving, or any decrease in the amount of, the government grants from the local governments for our development projects, (ii) have satisfied all material obligations and conditions relating to the government grants received, and (iii) have not experienced any recourse or reclamation of the government grants received. We believe that the government grants received were not subject to any recourse or reclamation by the local governments.

The amount of government grants awarded is generally determined through our negotiation with the local government and varies significantly among our development projects. In particular, factors affecting the amount of government grants include, among other things, the size and location of the proposed project, the local economic and property market conditions, the level of difficulty with regard to the infrastructure planning and construction work, the liquidity position of, and financial resources available to, local governments, the level of necessity and urgency of the local government in offering the development projects to promote local commerce as well as the local government’s recognition of our value propositions associated with our proposed development project.

Government grants have historically contributed significantly to our profitability, reflected in lower cost of sales and resulting in higher gross profit margins yielded by our trade center projects, particularly those in Ningxiang, Jining and Ganzhou. The amounts of the grants also contributed to the significant fluctuation of our gross profit margins. See “—Description of Selected Line Items of Consolidated Statement of Profit or Loss—Cost of Sales—Government grants” for a discussion of the financial contribution of the government grants to our results of operations. The grants also enhanced our liquidity position, reflected in the increase in cash balances and cash equivalents and current liabilities after the receipt of grants. In particular, such cash received is generally applied to finance our capital expenditures and working capital needs, and therefore reduced the amount of cash that would otherwise be necessary to finance such expenditures. The State Council of the PRC issued rules in November 2014 and May 2015 respectively to gradually eliminate certain preferential treatments, including government grants, provided by local governments and related agencies to companies. While we expect to continue to receive government grants for our existing trade center projects, we may not be able to receive any government grants for our future projects. We believe that we are generally able to manage the risks and uncertainties in relation to government grants and are not subject to the financial risks solely in relation to the unavailability of or delay in obtaining government grants after we commit to a trade center project. While we do not anticipate that the unavailability of government grants will be an obstacle in operating a

profitable business and expanding our operations, there nonetheless exist certain degree of risks and uncertainty as to the receipt of such grants. See “Risk Factors—Risks Relating to Our Business and Industry—The unavailability of any favorable regulatory treatment, including governmental grants and preferential tax treatments, in future periods for our projects could materially and adversely affect our business, financial condition and results of operations.”

Critical Accounting Estimates and Judgments

We prepare our consolidated financial statements in accordance with IFRS, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities at the end of each fiscal period, and (ii) the reported amounts of income and expenses during each fiscal period. These judgments, estimates and assumptions require subjective or complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting judgments, estimates and assumptions are particularly critical, reflecting their significance to our consolidated financial statements. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of our current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources.

Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimation in the preparation of our consolidated financial statements.

Classification between Inventories, Owner-occupied Properties and Investment Properties

We develop property projects with an initial intention to be held for sale and retains a portion of properties held for own use. Judgement is made by management in determining whether a property is designated as a property held for sale, owner-occupied property. We consider our intention for holding the properties at the early development stage of the related properties. During the course of development, the related properties under development are accounted for as (1) properties under development included in current assets if the properties are intended for sale after their completion; (2) owner-occupied properties included in properties, plant and equipment if the properties are intended for our own use; and (3) investment properties under development if the properties are intended to be held to earn rentals and/or for capital appreciation.

Inventories

Our land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on our recent experience and the nature of the subject property, we make estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Recognition of Deferred Tax Assets

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to our operating environment and requires a significant level of judgment exercised by the Directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

Provision for PRC Land Appreciation Tax (“PRC LAT”)

We have estimated, made and included in tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of PRC LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

Recognition of Construction Costs on Properties under Development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale 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 based on management’s best estimates. Any variations on the development costs upon final settlement will impact cost of sales included in profit or loss in future years.

Description of Selected Line Items of Consolidated Statement of Profit or Loss

Turnover

Our turnover was RMB1,607.1 million, RMB4,756.5 million, RMB3,360.2 million (US\$542.0 million) and RMB950.2 million (US\$153.3 million) in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, representing a significant growth from 2012 to 2013 and a decline of 29.4% from 2013 to 2014.

We derive substantially all our turnover from sales of properties. We also recorded certain turnover from the provision of property management services and property leasing. Our turnover represents income net of business tax and other sales-related taxes and after deduction of any discounts offered to our customers. The following table sets forth the components of our turnover by source and such components as a percentage of our total turnover for the periods indicated.

	For the year ended December 31,							For the six months ended June 30,				
	2012		2013		2014			2014		2015		
	RMB'000	%	RMB'000	%	RMB'000	US\$'000	%	RMB'000	%	RMB'000	US\$'000	%
Sales of properties	1,605,907	99.9	4,748,766	99.8	3,341,612	538,970	99.5	964,432	99.0	926,625	149,456	97.5
Property management services	847	0.1	7,027	0.2	11,339	1,829	0.3	6,861	0.7	12,551	2,024	1.3
Rental income	360	0.0*	671	0.0*	6,734	1,086	0.2	2,822	0.3	10,660	1,719	1.1
Advertising income	-	-	-	-	504	81	0.0*	-	-	329	53	0.1
Total turnover	1,607,114	100.0	4,756,464	100.0	3,360,189	541,966	100.0	974,115	100.0	950,165	153,252	100.0

* Less than 0.1%.

For property sales, revenue is recognized when significant risks and rewards of property ownership have been transferred to our customers. We consider that the significant risks and rewards of ownership of our properties sold are transferred when the construction of relevant properties has been completed and the properties have been delivered to the buyers. As we derive substantially all our turnover from sales of properties, our results of operations for a given period are dependent upon the total GFA and average sales price of properties we delivered during such period. The table below sets forth, for the periods indicated, the GFA, average sales price and turnover by project and by type of property sold.

	For the year ended December 31,						For the six months ended June 30,								
	2012			2013			2014			2014			2015		
	GFA	Average sales price	Turnover	GFA	Average sales price	Turnover	GFA	Average sales price	Turnover	GFA	Average sales price	Turnover	GFA	Average sales price	Turnover
sq.m.	RMB per sq.m.	RMB'000	sq.m.	RMB per sq.m.	RMB'000	sq.m.	RMB per sq.m.	RMB'000	sq.m.	RMB per sq.m.	RMB'000	sq.m.	RMB per sq.m.	RMB'000	
Ningxiang Trade Center															
Wholesale trading market units	44,833	3,786	169,757	7,687	4,322	33,226	4,778	2,168	10,358	2,367	9,279	-	-	-	-
Bus terminal and information center	-	-	-	5,302	3,808	20,191	-	-	-	-	-	-	-	-	-
Serviced apartments	-	-	-	3,045	5,126	15,608	343	2,776	952	96	2,740	263	-	-	-
Subtotal	44,833	3,786	169,757	16,034	4,305	69,025	5,121	2,209	11,310	2,463	9,542	-	-	-	-
Jining Trade Center															
Wholesale trading market units	198,447	4,108	815,246	85,363	4,200	358,541	95,872	4,474	428,979	24,304	107,366	12,770	4,452	56,855	
Shopping mall	12,471	6,243	77,855	3,506	6,591	23,108	-	-	-	-	-	-	-	-	
Subtotal	210,918	4,234	893,101	88,869	4,295	381,649	95,872	4,474	428,979	24,304	107,366	12,770	4,452	56,855	
Yulin Trade Center															
Wholesale trading market units	62,457	4,828	301,567	25,081	5,051	126,692	8,214	5,155	42,342	4,488	22,345	2,407	5,256	12,651	
Shopping mall	-	-	-	53,008	8,182	433,737	22,276	8,731	194,481	16,860	137,966	1,951	11,473	22,384	
Subtotal	62,457	4,828	301,567	78,089	7,177	560,429	30,490	7,767	236,823	21,348	160,311	4,358	8,039	35,035	
Ganzhou Trade Center															
Wholesale trading market units	-	-	-	334,125	8,102	2,707,127	119,568	8,228	983,853	56,442	452,315	33,885	8,499	288,004	
Shopping mall	-	-	-	-	-	-	40,060	10,130	405,814	-	-	11,020	10,118	111,498	
Subtotal	-	-	-	334,125	8,102	2,707,127	159,628	8,706	1,389,667	56,442	452,315	44,905	8,897	399,502	
Mianyang Trade Center															
Wholesale trading market units	-	-	-	175,711	5,822	1,023,023	159,659	6,421	1,025,153	34,559	234,898	14,720	6,410	94,362	
Subtotal	-	-	-	175,711	5,822	1,023,023	159,659	6,421	1,025,153	34,559	234,898	14,720	6,410	94,362	

Like other property developers, our results of operations may vary significantly from period to period due to our delivery schedule and seasonal factors and our interim results are not indicative of our full year results. See “Risk Factors—Risks Relating to Our Business and Industry—Our operating results are significantly affected by peaks and troughs in our property delivery schedule and seasonal factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Nature, Timing and Seasonality of Our Property Development.” For example, our turnover for the year ended December 31, 2012 was primarily derived from the sales of wholesale trading market units at Jining Trade Center. Our turnover for each of the years ended December 31, 2013 and 2014 was primarily derived from the sales of wholesale trading market units at Ganzhou Trade Center and Mianyang Trade Center. Our turnover for the six months ended June 30, 2015 was primarily derived from sales of wholesale trading market units at Ganzhou Trade Center and Xingning Trade Center.

Cost of Sales

Cost of sales primarily consists of the costs of properties sold, which includes construction costs, land acquisition costs and capitalized borrowing costs. Our cost of properties sold is presented after the deduction of government grants. The following table sets forth the components of our cost of sales and such components as a percentage of our total cost of sales during the periods indicated.

- *Construction costs:* represent costs for the design and construction of a property project and consist primarily of fees paid to our construction contractors, including those responsible for civil engineering, construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs are affected by a number of factors such as the cost of construction materials, the location and type of properties being constructed, the decoration type and the style and costs of ancillary facilities. Substantially all of the costs of construction materials, whether procured by our construction contractors or by ourselves, are accounted for as part of the construction costs.
- *Land acquisition costs:* represent costs relating to the acquisition of the rights to occupy, use and develop land, including land grant fees, demolition and resettlement costs, and other land-related taxes and charges. The land acquisition costs are recognized as part of cost of properties sold upon the completion and delivery of the relevant properties. These costs for a project are affected by a number of factors, including the location of the underlying property, the terms of zoning and land use, charges as required by PRC laws and regulations and market conditions.

Capitalized borrowing costs: we capitalize a portion of our borrowing costs to the extent that such costs are directly attributable to the development of a particular project. Such capitalized borrowing costs are included as part of the cost of properties sold for the relevant property when revenue for the sales of such property is recognized. Costs that are not directly attributable to the development of a project are expensed and recorded as finance costs.

- *Government grants:* government grants provided to compensate our cost of inventories are initially recognized as deferred income on our statement of financial position and subsequently deducted from the cost of sales when the properties are sold.

The table below sets forth, for the periods indicated, our government grants recorded by project as a component of our cost of sales:

	For the year ended December 31,							For the six months ended June 30,				
	2012		2013		2014			2014		2015		
	RMB'000	%	RMB'000	%	RMB'000	US\$'000	%	RMB'000	%	RMB'000	US\$'000	%
Ningxiang Trade Center .	70,571	24.7	19,628	3.2	3,206	517	1.0	3,958	2.2	-	-	-
Jining Trade Center	198,171	69.5	136,879	22.0	157,516	25,406	49.0	53,762	29.5	38,897	6,274	34.1
Yulin Trade Center	16,420	5.8	39,333	6.3	9,694	1,564	3.0	10,633	5.8	2,691	434	2.3
Ganzhou Trade Center ...	-	-	381,606	61.5	88,422	14,262	27.5	88,422	48.4	48,561	7,832	42.5
Mianyang Trade Center ..	-	-	43,492	7.0	38,885	6,272	12.1	25,807	14.1	3,025	488	2.7
Heze Trade Center	-	-	-	-	23,782	3,836	7.4	-	-	20,681	3,336	18.1
Wuzhou Trade Center ...	-	-	-	-	-	-	-	-	-	352	57	0.3
Total	285,162	100.0	620,938	100.0	321,505	51,857	100.0	182,582	100.0	114,207	18,421	100.0

The increase of government grants credited to cost of sales from 2012 to 2013 was generally in line with our increase of operational scale, reflecting, among other things, the increases in property sales and turnover, our land acquisition costs and balances of land resources, as well as our land bank. The decrease in government grants credited to cost of sales from 2013 to 2014 was primarily due to a decrease in GFA delivered during the same periods. The decrease of government grants credited to cost of sales from the six months ended June 30, 2014 to the six months ended June 30, 2015 was primarily due to a change in property mix sold at different trade centers.

- *Other costs of sales.* These include our cost of sales incurred in connection with our property management services and property leasing. In particular, these services include security, cleaning and maintenance services as well as other services commonly associated with these types of businesses.

Gross Profit and Gross Profit Margin

Our gross profit for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 was RMB776.3 million, RMB2,932.4 million, RMB1,399.0 million (US\$225.6 million) and RMB438.2 million (US\$70.7 million), respectively. Our gross profit margin for the same periods was 48.3%, 61.6%, 41.6% and 46.1%, respectively. In general, the fluctuation in our gross profit margin reflects the change in the mix of properties delivered during the respective periods. The gross margin for property sales of an individual trade center project to a certain extent reflects the condition of the real estate market in the local area where the project is located, and therefore the gross margins of property projects in different geographic regions are not directly comparable.

We derive substantially all our gross profit from sales of properties. The following table sets forth our turnover, cost of properties sold, gross profit and gross profit margin by project and by type of property sold.

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000, except percentages	RMB'000, except percentages	RMB'000, except percentages	US\$'000, except percentages	RMB'000, except percentages	RMB'000, except percentages	US\$'000, except percentages
Ningxiang Trade Center							
Turnover	169,757	69,025	11,310	1,824	9,542	-	-
Cost of properties sold	(59,579)	(34,211)	1,233	199	958	-	-
Gross profit	110,178	34,814	12,543	2,023	10,500	-	-
Gross profit margin	64.9%	50.4%	110.9%	110.9%	110.0%	-	-

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000, except percentages	RMB'000, except percentages	RMB'000, except percentages	US\$'000, except percentages	RMB'000, except percentages	RMB'000, except percentages	US\$'000, except percentages
Jining Trade Center							
Turnover	893,101	381,649	428,979	69,190	107,366	56,855	9,170
Cost of properties sold	(480,014)	(202,107)	(197,404)	(31,839)	(48,604)	(23,048)	(3,717)
Gross profit	413,087	179,542	231,575	37,351	58,762	33,807	5,453
Gross profit margin	46.3%	47.0%	54.0%	54.0%	54.7%	59.5%	59.5%
Yulin Trade Center							
Turnover	301,567	560,429	236,823	38,197	160,311	35,035	5,651
Cost of properties sold	(155,264)	(322,592)	(135,379)	(21,835)	(91,126)	(22,040)	(3,555)
Gross profit	146,303	237,837	101,444	16,362	69,185	12,995	2,096
Gross profit margin	48.5%	42.4%	42.8%	42.8%	43.2%	37.1%	37.1%
Ganzhou Trade Center							
Turnover	–	2,707,127	1,389,667	224,140	452,315	399,502	64,436
Cost of properties sold	–	(609,083)	(558,062)	(90,010)	(65,551)	(236,712)	(38,179)
Gross profit	–	2,098,044	831,605	134,130	386,764	162,790	26,257
Gross profit margin	–	77.5%	59.8%	59.8%	85.5%	40.8%	40.8%
Mianyang Trade Center							
Turnover	–	1,023,023	1,025,153	165,347	234,898	94,362	15,220
Cost of properties sold	–	(642,002)	(962,849)	(155,298)	(143,784)	(68,043)	(10,975)
Gross profit	–	381,021	62,304	10,049	91,114	26,319	4,245
Gross profit margin ⁽¹⁾	–	37.2%	6.1%	6.1%	38.8%	27.9%	27.9%
Heze Trade Center							
Turnover	–	–	249,680	40,271	–	93,647	15,104
Cost of properties sold	–	–	(90,612)	(14,615)	–	(25,956)	(4,186)
Gross profit	–	–	159,068	25,656	–	67,691	10,918
Gross profit margin	–	–	63.7%	63.7%	–	72.3%	72.3%
Xingning Trade Center							
Turnover	–	–	–	–	–	227,949	36,766
Cost of properties sold	–	–	–	–	–	(97,303)	(15,694)
Gross profit	–	–	–	–	–	130,646	21,072
Gross profit margin	–	–	–	–	–	57.3%	57.3%
Wuzhou Trade Center							
Turnover	–	–	–	–	–	16,571	2,673
Cost of properties sold	–	–	–	–	–	(6,940)	(1,119)
Gross profit	–	–	–	–	–	9,631	1,554
Gross profit margin	–	–	–	–	–	58.1%	58.1%
Other Properties							
Turnover	241,482	7,513	–	–	–	2,704	436
Cost of properties sold	(134,408)	(7,544)	–	–	–	(2,042)	(329)
Gross profit	107,074	(31)	–	–	–	662	107
Gross profit margin	44.3%	–0.4%	–	–	–	24.5%	24.5%

(1) Certain cost of properties sold incurred by the Mianyang Trade Center in 2013 were recognized in 2014.

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000, except percentages	RMB'000, except percentages	RMB'000, except percentages	US\$'000, except percentages	RMB'000, except percentages	RMB'000, except percentages	US\$'000, except percentages
Total							
Turnover	1,605,907	4,748,766	3,341,612	538,970	964,432	926,625	149,456
Cost of properties sold	(829,265)	(1,817,539)	(1,943,073)	(313,399)	(348,107)	(482,084)	(77,755)
Gross profit	776,642	2,931,227	1,398,539	225,571	616,325	444,541	71,701
Gross profit margin	48.4%	61.7%	41.9%	41.9%	63.9%	48.0%	48.0%

Other Revenue

Other revenue mainly represents government grants related to investment properties recognized in profit or loss which was previously recorded as deferred income, and dividend income in connection with a 10% minority investment in the local rural credit cooperative institution in Mianyang, Sichuan province.

Other Net Income

Other net income mainly represents net gains on disposal of available-for-sale investments, which are investments in quoted funds and unlisted wealth management products issued by banks, financial institutions or asset management companies based on our treasury policy.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertisement and promotional expenses (including expenses incurred in connection with sales and promotional activities, advertising and sponsoring or organizing sales events, conferences and forums), sales commission and expenses, sales and marketing staff compensation and other expenses relating to sales of our properties. Our selling and distribution expenses are affected by the schedule and timing of our property sales.

Administrative and Other Operating Expenses

Administrative expenses and other operating expenses primarily consist of administrative staff-related expenses, office expenses, travelling, boarding and meeting expenses, share-based compensation expenses, professional service fees and depreciation and amortization. Staff-related expenses consist primarily of salaries and employee benefit expenses for our management, administrative, finance and accounting staff. We incur office expenses for office maintenance and functions in connection with our general operations. Travelling, boarding and meeting expenses are comprised of expenses incurred for business travel by our management and other personnel as well as business development expenses. Depreciation and amortization relate primarily to facilities used for our general operations.

Finance Costs

Our finance costs primarily consist of interest expenses on bank loans and other borrowings after the deduction of such interest expenses that are capitalized in our properties under development, interest expenses on the Convertible Notes issued in January 2015, as well as gain on foreign exchange, finance expenses on preferred shares we issued to Hony Capital in 2011 (all of which converted into our ordinary shares upon completion of our initial public offering in October 2013).

Interest on borrowings relating to project development is capitalized to the extent the borrowings are directly attributable to a particular project and used to finance the development of that project. Since the development period for a project may not coincide with the interest payment period of a loan, not all of the interest costs related to a project can be capitalized. Our finance costs fluctuate from period to period depending on the amount of interest costs that are capitalized within the reporting period.

On January 23, 2015, we issued convertible notes in an aggregate principal amount of US\$120 million due January 23, 2020. The Convertible Notes bear interest at 7.00% per annum payable semi-annually. Interest expenses on the Convertible Notes are calculated using the effective interest method by applying the effective interest rate of 22.21% per annum to the liability component.

Change in Fair Value of Embedded Derivative on Preferred Shares

The preferred shares we issued to Hony Capital in 2011 are recognized as an interest-bearing borrowing and are recognized initially at fair value less attributable transaction costs. Subsequent to the initial recognition, such preferred shares are stated at amortized cost. The embedded derivative of the preferred shares is remeasured at the end of each reporting period to its fair value. Any increase or decrease in fair value compared to its former measurement is reflected in our finance costs in profit or loss.

Fair Value Gain upon Transfer of Completed Properties Held for Sale to Investment Properties

During the six months ended June 30, 2015, we transferred certain completed properties held for sale to investment properties upon changing their purpose from sale to generation of rental income. Our investment properties carried at fair value were revalued by Savills as of June 30, 2015 using the investment approach (income approach) and direct comparison approach. As a result, for the six months ended June 30, 2015, we recorded a fair value gain of RMB277.6 million (US\$44.8 million) once such transfer was recognized.

Fair Value Change on Embedded Derivative Component of the Convertible Notes

On January 23, 2015, we issued convertible notes in an aggregate principal amount of US\$120 million due January 23, 2020 to Pingan Real Estate Capital Limited (formerly known as Pingan Real Estate (Hong Kong) Company Limited). The Convertible Notes bear interest at 7.00% per annum payable semi-annually. Unless previously redeemed, repaid, converted or purchased and cancelled, we will redeem the Convertible Notes at 137.48% of their principal amount on the Maturity Date. In accordance with the terms and conditions of the Convertible Notes, we shall give the Convertible Notes holder an internal rate of return of 13% upon redemption of the Convertible Notes under certain circumstances. The conversion option and the redemption option are considered as embedded derivative component of the Convertible Notes and revalued at each reporting date.

Income Tax Expenses

The table below sets forth, for the periods indicated, the major components of our income taxes.

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Current tax							
PRC enterprise income tax	259,309	473,453	225,990	36,450	122,005	101,779	16,416
PRC dividend withholding tax .	-	-	63,038	10,167	-	-	-
PRC LAT	60,907	687,289	184,630	29,779	87,644	49,698	8,016
Under-provision in respect of prior years	-	16,782	-	-	-	-	-
Subtotal	<u>320,216</u>	<u>1,177,524</u>	<u>473,658</u>	<u>76,396</u>	<u>209,649</u>	<u>151,477</u>	<u>24,432</u>
Deferred tax							
Origination and reversal of temporary differences	(74,725)	(28,628)	(142,697)	(23,016)	(56,535)	27,971	4,511
Total	<u>245,491</u>	<u>1,148,896</u>	<u>330,961</u>	<u>53,380</u>	<u>153,114</u>	<u>179,448</u>	<u>28,943</u>

Our income tax expenses include provisions made for LAT, PRC enterprise income tax, PRC dividend withholding tax and deferred income tax. In 2012, 2013 and 2014 and the six months ended June 30, 2015, our effective tax rate was 53.3%, 49.4%, 39.5% and 39.0% respectively. Our effective enterprise income tax rate represents the percentage calculated based on (i) the sum of our enterprise income tax over (ii) our profit before income tax. Without taking into account the charges made in connection with the preferred shares issued to Hony Capital in 2011 and the Convertible Notes issued in 2015, our adjusted effective enterprise income tax rate was 24.2%, 25.4%, 21.0%, and 16.9% in the same periods, respectively.

We are not subject to any Cayman Islands income tax pursuant to the rules and regulations in the Cayman Islands. Our PRC subsidiaries are generally subject to a statutory tax rate of 25% on their respective assessable profits. According to the approval from the tax authority in Ningxiang, Hunan Province, assessable profits for our PRC subsidiary that owns Ningxiang Trade Center were calculated based on 10% of its gross income for the year 2012. In July 2013, our Ganzhou Trade Center was approved to enjoy a preferential PRC enterprise income tax rate of 15% for the years from 2012 to 2020 according to a tax notice issued by the local tax bureau. The preferential tax treatment was based on various tax rules and regulations in relation to PRC government's strategy in encouraging investment and development of wholesale trading markets in certain regions in the PRC.

LAT in China is generally levied on properties in China which we developed for sale. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable PRC laws and regulations is calculated based on the proceeds of sales of properties less deductible expenditures, including land-use rights expenses and charges, borrowing costs and all other property development expenditures qualified for such deductions. In addition, some of our subsidiaries were subject to LAT which were calculated based on 1.5% to 8% of their revenue in accordance with the authorized tax valuation method approved by local tax authorities. See "Regulation—PRC Taxation—Land Appreciation Tax." Deferred tax assets arising from LAT accrued are calculated based on the applicable income tax rates when such assets are expected to be settled.

With respect to PRC dividend withholding tax, Withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after January 1, 2008 at 5%.

Under-provision in respect of prior years represents tax settlements reached between our PRC subsidiary Hydoo Estate (Ganzhou) and local tax bureaus for PRC enterprise income tax exposures from prior years.

Results of Operations

The following table sets forth a summary of our consolidated statement of profit or loss and each item expressed as a percentage of our total turnover for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this offering circular. The operating results in any period are not necessarily indicative of results that may be expected for any future period.

	For the year ended December 31,							For the six months ended June 30,					
	2012		2013		2014			2014		2015			
	RMB'000	%	RMB'000	%	RMB'000	US\$'000	%	RMB'000	%	RMB'000	US\$'000	%	
Turnover	1,607,114	100.0	4,756,464	100.0	3,360,189	541,966	100.0	974,115	100.0	950,165	153,252	100.0	
Cost of sales	(830,843)	(51.7)	(1,824,109)	(38.4)	(1,961,163)	(316,317)	(58.4)	(354,229)	(36.4)	(511,981)	(82,578)	(53.9)	
Gross profit	776,271	48.3	2,932,355	61.6	1,399,026	225,649	41.6	619,886	63.6	438,184	70,674	46.1	
Other revenue	1,377	0.1	5,353	0.1	5,655	912	0.2	3,576	0.4	64,138	10,345	6.8	
Other net (loss)/ income .	(5)	0.0*	14,562	0.3	43,652	7,041	1.3	32,875	3.4	1,106	178	0.1	
Selling and distribution expenses	(62,220)	(3.9)	(129,464)	(2.7)	(182,263)	(29,397)	(5.4)	(72,880)	(7.5)	(82,791)	(13,353)	(8.7)	
Administrative and other operating expenses	(194,366)	(12.1)	(335,572)	(7.1)	(439,797)	(70,935)	(13.1)	(218,289)	(22.4)	(239,535)	(38,635)	(25.2)	
Profit from operations before fair value gain on investment properties	521,057	32.4	2,487,234	52.2	826,273	133,270	24.6	365,168	37.5	181,102	29,209	19.1	
Fair value gain upon transfer of completed properties held for sale to investment properties	-	-	-	-	-	-	-	-	-	277,643	44,781	29.2	

	For the year ended December 31,							For the six months ended June 30,				
	2012		2013		2014			2014		2015		
	RMB'000	%	RMB'000	%	RMB'000	US\$'000	%	RMB'000	%	RMB'000	US\$'000	%
Profit from operations after fair value gain on investment properties	521,057	32.4	2,487,234	52.2	826,273	133,270	24.6	365,168	37.5	458,745	73,990	48.3
Share of loss of a joint venture	(3,111)	(0.2)	-	-	-	-	-	-	-	-	-	-
Gain on disposal of a subsidiary	306,551	19.1	-	-	-	-	-	-	-	-	-	-
Finance income	1,374	0.1	11,079	0.2	19,993	3,225	0.6	7,837	0.8	7,396	1,193	0.8
Finance costs	(73,241)	(4.6)	(70,183)	(1.5)	(8,840)	(1,426)	(0.3)	(808)	(0.1)	(65,263)	(10,526)	(6.9)
Fair value change on embedded derivative on redeemable convertible preference shares	(292,348)	(18.2)	(103,271)	(2.2)	-	-	-	-	-	-	-	-
Fair value change on embedded derivative component of the Convertible Notes	-	-	-	-	-	-	-	-	-	59,264	9,559	6.2
Profit before taxation ..	460,282	28.6	2,324,859	48.7	837,426	135,069	24.9	372,197	38.2	460,142	74,216	48.4
Income tax expense	(245,491)	(15.3)	(1,148,896)	(24.2)	(330,961)	(53,381)	(9.8)	(153,114)	(15.7)	(179,448)	(28,943)	(18.9)
Profit for the year/ period	214,791	13.3	1,175,963	24.5	506,465	81,688	15.1	219,083	22.5	280,694	45,273	29.5

* Less than 0.1%.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Turnover

Our turnover decreased by RMB23.9 million, or 2.5%, from RMB974.1 million for the six months ended June 30, 2014 to RMB950.2 million (US\$153.3 million) for the six months ended June 30, 2015. This decrease was primarily caused by the decrease in revenue from sales of properties. The following table sets forth the details of turnover during the periods indicated.

	For the six months ended June 30,				
	2014		2015		
	RMB'000	%	RMB'000	US\$'000	%
Sales of properties	964,432	99.0	926,625	149,456	97.5
Property management services	6,861	0.7	12,551	2,024	1.3
Rental income	2,822	0.3	10,660	1,719	1.1
Advertising income	-	-	329	53	0.1
Total	974,115	100.0	950,165	153,252	100.0

Revenue from the sales of properties decreased by RMB37.8 million, or 3.9%, from RMB964.4 million for the six months ended June 30, 2014 to RMB926.6 million (US\$149.5 million) in the six months ended June 30, 2015. The decrease of sales of properties was in line with the decrease in the GFA of properties sold, which decreased by 5,608 sq.m., or 4.0%, from 139,116 sq.m. to 133,508 sq.m. over the same period. The decrease of the GFA of properties sold was mainly due to the prudent sales strategy we adopted in response to the volatile environment. Our revenue in the six months ended June 30, 2015 was primarily derived from the sales of wholesale trading market units at our Ganzhou Trade Center, Xingning Trade Center, Mianyang Trade Center, Heze Trade Center, and from the sales of shopping mall at our Ganzhou Trade Center.

Revenue from property management services increased by RMB5.7 million, or 82.6%, from RMB6.9 million for the six months ended June 30, 2014 to RMB12.6 million (US\$2.0 million) for the six months ended June 30, 2015. This increase primarily reflected the continued expansion of our property management portfolio.

Revenue from rental income increased by RMB7.9 million, or 282.1%, from RMB2.8 million for the six months ended June 30, 2014 to RMB10.7 million (US\$1.7 million) for the six months ended June 30, 2015. The increase was primarily due to the increase in leasing area.

Cost of Sales

Our cost of sales increased by 44.6% from RMB354.2 million in the six months ended June 30, 2014 to RMB512.0 million (US\$82.6 million) in the six months ended June 30, 2015, primarily due to the change in product mix.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit decreased by 29.3% from RMB619.9 million in the six months ended June 30, 2014 to RMB438.2 million (US\$70.7 million) in the six months ended June 30, 2015. Our gross profit margin decreased from 63.6% to 46.1% over the same period, primarily due to the change in product mix.

Other Revenue

Our other revenue significantly increased from RMB3.6 million in the six months ended June 30, 2014 to RMB64.1 million (US\$10.3 million) in the six months ended June 30, 2015, primarily due to government grants related to investment properties, which were previously recorded as deferred income.

Other Net Income

Our other net income significantly decreased from RMB32.9 million in the six months ended June 30, 2014 to RMB1.1 million (US\$0.2 million) in the six months ended June 30, 2015, primarily due to net gains on disposal of available-for-sale investments in the prior period. Such available-for-sale investments are investments in quoted funds and unlisted wealth management products issued by banks, financial institutions or asset management companies that have been purchased based on our treasury policy.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 13.6% from RMB72.9 million in the six months ended June 30, 2014 to RMB82.8 million (US\$13.4 million) in the six months ended June 30, 2015, primarily due to an increase in the number of properties that were pre-sold.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 9.7% from RMB218.3 million in the six months ended June 30, 2014 to RMB239.5 million (US\$38.6 million) in the six months ended June 30, 2015, primarily due to a higher level of administrative expenses incurred to support the growing scale of our operations.

Fair Value Gain Upon Transfer of Completed Properties Held for Sale to Investment Properties

We recorded a fair value gain of RMB277.6 million (US\$44.8 million) upon transfer of completed properties held for sale to investment properties in the six months ended June 30, 2015, which was in relation to our transfer of certain completed properties held for sale to investment properties as a result of an actual change in use of such properties, from being held for sale to being used to generate rental income.

Fair Value Change on Embedded Derivative Component of the Convertible Notes

We recorded a fair value change on embedded derivative component of the Convertible Notes of RMB59.3 million (US\$9.6 million) in the six months ended June 30, 2015. In accordance with the terms and conditions of the Convertible Notes, unless previously redeemed, repaid, converted or purchased and cancelled, we will redeem the Convertible Notes at 137.48% of their principal amount on the maturity date, and we shall give the Convertible Notes holder an internal rate of return of 13.0% upon redemption under certain circumstances. The conversion option and the redemption option are considered as embedded derivative component of the Convertible Notes and revalued at each reporting date.

Finance Income

Our finance income decreased by 5.1% from RMB7.8 million in the six months ended June 30, 2014 to RMB7.4 million (US\$1.2 million) in the six months ended June 30, 2015, primarily due to a decrease in interest generated on our bank deposits.

Finance Costs

Our finance costs increased by RMB64.5 million from RMB0.8 million in the six months ended June 30, 2014 to RMB65.3 million (US\$10.5 million) in the six months ended June 30, 2015, primarily due to interest expenses incurred on our bank loans and the Convertible Notes.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by 23.6% from RMB372.2 million in the six months ended June 30, 2014 to RMB460.1 million (US\$74.2 million) in the six months ended June 30, 2015.

Income Tax Expense

Our income tax expense increased by 17.2% from RMB153.1 million in the six months ended June 30, 2014 to RMB179.4 million (US\$28.9 million) in the six months ended June 30, 2015, primarily due to the increase in deferred tax assets arising from temporary differences of fair value change on investment properties. Our effective tax rate decreased from 41.1% to 39.0% in the same periods, respectively.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 28.1% from RMB219.1 million in the six months ended June 30, 2014 to RMB280.7 million (US\$45.3 million) in the six months ended June 30, 2015. Our net profit margin increased from 22.5% to 29.5% in the same periods, respectively.

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

Turnover

Our turnover decreased by RMB1,396.3 million, or 29.4%, from RMB4,756.5 million in 2013 to RMB3,360.2 million (US\$542.0 million) in 2014. This decrease was primarily caused by a decrease in revenue from sales of properties. The following table sets forth our turnover from sales of properties, property management services, rental income and advertising income during the periods indicated.

	For the year ended December 31,					
	2013		2014			
	RMB'000	%	RMB'000	US\$'000	%	
Sales of properties	4,748,766	99.8	3,341,612	538,970	99.5	
Property management services	7,027	0.2	11,339	1,829	0.3	
Rental income	671	0.0*	6,734	1,086	0.2	
Advertising income	—	—	504	81	0.0*	
Total	4,756,464	100.0	3,360,189	541,966	100.0	

* Less than 0.1%.

Revenue from sales of properties decreased by RMB1,407.2 million, or 29.6%, from RMB4,748.8 million in 2013 to RMB3,341.6 million (US\$539.0 million) in 2014. The decrease of sales of properties is in line with the decrease in the GFA of properties sold, which decreased by 195,247 sq.m., or 28.1%, from 694,000 sq.m. in 2013 to 498,753 sq.m. in 2014. The decrease of the GFA of properties sold was mainly due to the prudent sales strategy we adopted in response to and the volatile environment. Our revenue for 2014 was primarily derived from the sales of wholesale trading market units at our Ganzhou Trade Center, Mianyang Trade Center, Jining Trade Center and shopping mall at our Yulin Trade Center.

Revenue from property management services increased by RMB4.3 million, or 61.4%, from RMB7.0 million in 2013 to RMB11.3 million (US\$1.8 million) in 2014. This increase primarily reflected the continued expansion of our property management portfolio, including our acquisition of a 51.0% equity interest of Ganzhou Jiuzhi in June 2013, which further increased the scope of our property management service operations.

Revenue from rental income increased by RMB6.0 million, or 857.1%, from RMB0.7 million in 2013 to RMB6.7 million (US\$1.1 million) in 2014. The increase in 2014 was primarily derived from the leasing of properties at Haode Yinzuo and Jining Trade Center.

Cost of Sales

Our cost of sales increased by 7.5% from RMB1,824.1 million in 2013 to RMB1,961.2 million (US\$316.3 million) in 2014, primarily due to a significant proportion of revenue being generated from Mianyang Trade Center, which yielded a relatively higher cost of sales compared to that of Ganzhou Trade Center and Jining Trade Center due to the fact that they belong to different product categories and certain cost of sales incurred by the Mianyang Trade Center in 2013 were recognized in 2014.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit decreased by 52.3% from RMB2,932.4 million in 2013 to RMB1,399.0 million (US\$225.6 million) in 2014. Our gross profit margin decreased from 61.6% to 41.6% over the same period, primarily due to a lower proportion of revenue being generated from Ganzhou Trade Center of our overall revenue for 2014, which yielded a higher gross profit margin compared to that of Mianyang Trade Center and Jining Trade Center, which contributed to a larger portion of our gross profit for 2014.

Other Revenue

Our other revenue increased by 5.6% from RMB5.4 million in 2013 to RMB5.7 million (US\$0.9 million) in 2014. Other revenue mainly represents dividend income in connection with a 10% minority investment made to the local rural credit cooperative institution in Mianyang, Sichuan province.

Other Net Income

Our other net income significantly increased from RMB14.6 million in 2013 to RMB43.7 million (US\$7.0 million) in 2014, primarily due to a net gain on disposal of available-for-sale investments. Such available-for-sale investments were investments in quoted funds and unlisted wealth management products issued by banks, financial institutions or asset management companies.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 40.8% from RMB129.5 million in 2013 to RMB182.3 million (US\$29.4 million) in 2014, primarily due to an increase in staff compensation.

Administrative and Other Operating Expenses

Our administrative and other expenses increased by 31.0% from RMB335.6 million in 2013 to RMB439.8 million (US\$70.9 million) in 2014, primarily due to increases in staff-related expenses to support our growing operational scale.

Finance Income

Our finance income increased by 80.2% from RMB11.1 million in 2013 to RMB20.0 million (US\$3.2 million) in 2014, primarily due to an increase in interest income on our bank deposits.

Finance Costs

Our finance costs decreased by 87.5% from RMB70.2 million in 2013 to RMB8.8 million (US\$1.4 million) in 2014, primarily due to a decrease in finance expenses on our preferred shares issued to Hony Capital.

Change in Fair Value of Embedded Derivative on Redeemable Convertible Preference Shares

We did not record any amount for this line item in 2014 as all redeemable convertible preference shares were converted into ordinary shares upon the listing of our shares on the SEHK in October 2013.

Profit before Taxation

As a result of the foregoing, our profit before taxation decreased by 64.0% from RMB2,324.9 million in 2013 to RMB837.4 million (US\$135.1 million) in 2014.

Income Tax Expense

Our income tax expense decreased by 71.2% from RMB1,148.9 million in 2013 to RMB331.0 million (US\$53.4 million) in 2014, primarily due to a decrease in our taxable income resulting from a decrease in revenue generated from sales of properties in our trade centers. Our effective tax rate decreased from 49.4% to 39.5% over the same period.

Profit for the Year

As a result of the foregoing, our net profit decreased by 56.9% from RMB1,176.0 million in 2013 to RMB506.5 million (US\$81.7 million) in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Turnover

Our turnover increased by RMB3,149.4 million, or 196.0%, from RMB1,607.1 million in 2012 to RMB4,756.5 million in 2013. This increase was primarily derived from an increase in revenue from sales of properties. The following table sets forth our turnover from sales of properties, property management services and rental income during the periods indicated.

	For the year ended December 31,			
	2012		2013	
	RMB'000	%	RMB'000	%
Sales of properties	1,605,907	99.9	4,748,766	99.8
Property management services	847	0.1	7,027	0.2
Rental income	360	0.0*	671	0.0*
Total	<u>1,607,114</u>	<u>100.0</u>	<u>4,756,464</u>	<u>100.0</u>

* Less than 0.1%.

Revenue from sales of properties increased by RMB3,142.9 million, or 195.7%, from RMB1,605.9 million in 2012 to RMB4,748.8 million in 2013. Our revenue from sales of properties in 2013 was primarily derived from the sales of wholesale trading market units at our Ganzhou Trade Center, Mianyang Trade Center and shopping mall at our Yulin Trade Center. The GFA of properties sold increased by 338,259 sq.m., or 95.1%, from 355,741 sq.m. in 2012 to 694,000 sq.m. in 2013. The increase in the GFA of properties sold was primarily from the partial delivery of wholesale trading market units at our trade center projects in Ganzhou and Mianyang and shopping mall at our Yulin Trade Center in 2013. The average sales price of our wholesale trading market units increased during the same period, primarily due to a change of product mix in 2013. In particular, the average sales price of wholesale trading market units sold at Ganzhou and Mianyang Trade Centers was generally higher than the price of similar properties sold in 2012, mainly at Jining Trade Center and Yulin Trade Center.

Revenue from property management services increased by RMB6.2 million, or 775.0%, from RMB0.8 million in 2012 to RMB7.0 million in 2013. The increase of revenue from property management services primarily reflected the continued expansion of our property management portfolio, including our acquisition of a 51.0% equity interest in Ganzhou Jiuzhi which further increased the scope of our property management service operations.

Revenue from rental income increased by RMB0.3 million, or 75.0%, from RMB0.4 million in 2012 to RMB0.7 million in 2013. The increase in 2013 was primarily derived from the earnings of certain office space at Haode Yinzuo.

Cost of Sales

Cost of sales increased by RMB993.3 million, or 119.6%, from RMB830.8 million in 2012 to RMB1,824.1 million in 2013. The increase of cost of sales was generally in line with our increase in turnover during the same periods. Cost of properties sold increased by RMB988.2 million, or 119.2%, from RMB829.3 million in 2012 to RMB1,817.5 million in 2013, primarily reflecting increases in GFA sold. In particular, (i) our construction costs increased by RMB1,033.7 million, or 124.6%, from RMB829.6 million in 2012 to RMB1,863.3 million in 2013, and (ii) our land acquisition costs increased by RMB226.0 million, or 81.8%, from RMB276.2 million in 2012 to RMB502.2 million in 2013. The increase in cost of sales was partially offset by the increase in our government grants credited to cost of sales increased by RMB335.7 million, or 117.7%, from RMB285.2 million in 2012 to RMB620.9 million in 2013. The increase in major components of our cost of sales reflected our increase in sales of properties and the expansion of business scale.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit significantly increased from RMB776.3 million in 2012 to RMB2,932.4 million in 2013. Our gross profit margin increased from 48.3% to 61.6% over the same period, primarily due to a higher proportion of revenue being generated from Ganzhou Trade Center of our overall revenue in 2013, which yielded a higher gross profit margin compared to that of Jining Trade Center and Yulin Trade Center, which contributed to a larger portion of our gross profit in 2012.

Other Revenue

Our other revenue significantly increased from RMB1.4 million in 2012 to RMB5.4 million in 2013, primarily due to dividend income of RMB4.0 million in connection with a 10% minority investment made to a local rural credit cooperative institution in Mianyang, Sichuan Province.

Other Net Income/Loss

We recorded other net income of RMB14.6 million in 2013, which was primarily attributable to net gains on the disposal of available-for-sale investments. We had an immaterial amount of other net loss in 2012.

Selling and Distribution Expenses

Our selling and distribution expenses significantly increased from RMB62.2 million in 2012 to RMB129.5 million in 2013, primarily due to increases in advertisement expenses and staff compensation, which were generally in line with our increase in turnover during this period.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 72.6% from RMB194.4 million in 2012 to RMB335.6 million in 2013, primarily due to increases in staff-related expenses and professional service fees. The increases were primarily due to (i) a significantly higher level of administrative and other operating expenses incurred to support our growing operational scale, and (ii) an increase of professional service fees incurred in 2013 in relation to the listing of our shares on the SEHK.

Share of Loss of a Joint Venture

We had a share of loss of a joint venture of RMB3.1 million in 2012, which was in connection with our investment in Ganxian Haode Highway Construction Co., Ltd., an entity in which we held a 60% equity interest. We disposed of such equity interest in June 2012.

Gain on Disposal of a Subsidiary

We recorded a gain on disposal of a subsidiary of RMB306.6 million in 2012 in connection with our disposal of our Harbin Trade Center project. We did not have any disposal of subsidiaries in 2013.

Finance Income

Our finance income significantly increased from RMB1.4 million in 2012 to RMB11.1 million in 2013, primarily due to an increase in interest income as a result of the increase in our bank deposits.

Finance Costs

Our finance costs decreased by 4.1% from RMB73.2 million in 2012 to RMB70.2 million in 2013, primarily due to a decrease of RMB5.4 million in finance expenses recorded on our preferred shares issued to Hony Capital, partially offset by an increase of foreign exchange loss of RMB2.1 million. Substantially all of the interest expenses paid on bank loans and other borrowings in 2013 were capitalized into properties under development.

Change in Fair Value of Embedded Derivative on Redeemable Convertible Preference Shares

Our change in fair value of embedded derivative on redeemable convertible preference shares decreased by 64.7% from a negative change of RMB292.3 million in 2012 to a negative change of RMB103.3 million in 2013 as a result of the conversion of all preferred shares into ordinary shares upon the listing of our shares on the SEHK.

Profit before Taxation

As a result of the foregoing, our profit before taxation significantly increased from RMB460.3 million in 2012 to RMB2,324.9 million in 2013.

Income Tax Expense

Our income tax expense significantly increased from RMB245.5 million in 2012 to RMB1,148.9 million in 2013, primarily due to an increase in our taxable income as a result of an increase in revenue generated from sales of properties in our trade centers. Our effective tax rate decreased from 53.3% to 49.4% over the same period.

Profit for the Year

As a result of the foregoing, our net profit significantly increased from RMB214.8 million in 2012 to RMB1,176.0 million in 2013.

Liquidity and Capital Resources

Cash Flows and Working Capital

Our operations have primarily been financed by internally generated cash flows including proceeds from the pre-sale and sales of properties, borrowings from commercial banks and other lenders, proceeds from our initial public offering and issuance of the Convertible Notes. Our cash expenditures primarily consist of funding of development of our trade center projects, other related businesses, working capital needs and repayment of bank borrowings. As of December 31, 2012, 2013 and 2014 and June 30, 2014 and 2015, we had cash and cash equivalents of RMB584.4 million, RMB4,293.0 million, RMB1,819.0 million (US\$293.4 million), RMB2,842.7 million and RMB1,403.0 million (US\$226.3 million).

The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Net cash (used in)/from operating activities	(1,087,583)	2,405,129	(2,171,497)	(350,241)	(956,373)	(1,201,502)	(193,791)
Net cash from/(used in) investing activities	194,405	112,742	(281,203)	(45,355)	(700,796)	(207,737)	(33,506)
Net cash from/(used in) financing activities	1,044,213	1,203,939	(27,076)	(4,367)	199,936	991,085	159,852
Net increase/(decrease) in cash and cash equivalents	151,035	3,721,810	(2,479,776)	(399,963)	(1,457,233)	(418,154)	(67,445)
Cash and cash equivalents at beginning of year	436,941	584,379	4,292,994	692,418	4,292,994	1,819,029	293,392
Effect of foreign exchange rate changes	(3,597)	(13,195)	5,811	937	6,903	2,118	342
Cash and cash equivalents at end of year	584,379	4,292,994	1,819,029	293,392	2,842,664	1,402,993	226,289

Operating Activities

In the six months ended June 30, 2015, we had net cash outflow from operating activities of RMB1,201.5 million (US\$193.8 million). Such cash outflow was primarily due to payment for land and construction cost of RMB2,145.0 million (US\$346.0 million), operating expenses of RMB350.0 million (US\$56.5 million), and tax expenses of RMB563.0 million (US\$90.8 million), partially offset by net proceeds from sales of properties of RMB1,646.0 million (US\$265.5 million), and government grants recognised of RMB211.0 million (US\$34.0 million).

In the year ended December 31, 2014, we had net cash outflow from operating activities of RMB2,171.5 million (US\$350.2 million). Such cash outflow was primarily due to (i) an increase in inventories of RMB2,174.3 million (US\$350.7 million), reflecting increases in inventories in our Lanzhou Trade Center, Wuzhou Trade Center, Xingning Trade Center, Bengbu Commercial and Residential Project, Jining Trade Center, Yantai Trade Center, and Heze Trade Center, and (ii) an increase in trade and other receivables, prepayments and deposits of RMB450.4 million (US\$72.6 million), primarily due to our increase in expenditures incurred for properties planned for future development for which we have not yet obtained land-use right certificate in Lanzhou trade center and prepayment of certain equity investment, partially offset by an increase in trade and other payables of RMB146.5 million (US\$23.6 million), primarily due to an increase of receipt advance from our property purchase customers in Wuzhou Trade Center. Other significant items adjusted before movements in working capital included (i) tax paid of RMB429.5 million (US\$69.3 million), and (ii) net gain on disposal of available-for-sale investments of RMB44.4 million (US\$7.2 million), reflecting our treasury policy on cash management.

In the year ended December 31, 2013, we had net cash inflow from operating activities of RMB2,405.1 million. Such cash inflow was primarily due to (i) an increase in trade and other payables of RMB2,134.2 million, reflecting increases of receipt advance from our property purchase customers in Ganzhou Trade Center, Wuzhou Trade Center and Heze Trade Center, and (ii) an increase in deferred income of RMB339.3 million, reflecting an increase of government grants recognized during the period, partially offset by an increase in inventories of RMB1,979.3 million, reflecting increases in inventories in Ganzhou Trade Center, Wuzhou Trade Center, Heze Trade Center, Lanzhou Trade Center, Jining Trade Center, Mianyang Trade Center and Xingning Trade Centers. Other significant items adjusted before movements in working capital included (i) tax paid of RMB486.8 million, (ii) an RMB103.3 million change in fair value of embedded derivative on redeemable convertible preference shares, and (iii) finance costs of RMB70.2 million.

In the year ended December 31, 2012, we had net cash outflow from operating activities of RMB1,087.6 million. Our primary cash outflow and related items during the period included (i) an increase in inventories of RMB1,815.6 million, reflecting our continued increase in the scale of property development activities in 2012, in particular our commencement of development at our trade center projects in Ganzhou and Wuzhou, as well as our continued development activities at trade center projects

in Yulin and Mianyang, and (ii) an increase in trade and other receivables of RMB247.7 million, primarily due to our increase in expenditures incurred for additional properties planned for future development for which we have not yet obtained land-use rights certificates in Jining and Mianyang in 2012, as well as the consideration due from the acquirer of the Harbin Trade Center in 2012. Such cash outflow was partially offset by certain cash inflow and related items during the period, including (i) an increase in trade and other payables of RMB306.2 million, primarily due to increases of amounts due to construction contractors relating to construction work at our trade center projects in Yulin and Mianyang in 2012, and (ii) an increase of deferred income of RMB305.1 million, primarily reflecting the increase in the government grants we received in 2012 in connection with our trade center projects in Jining. Other significant items adjusted before the movement in working capital also included (i) a gain on disposal of a subsidiary before tax of RMB306.6 million recorded in connection with our disposal of the Harbin Trade Center Company on December 31, 2012, (ii) tax paid of RMB168.2 million in 2012, and (iii) a change in fair value of embedded derivative on preferred shares we issued to Hony Capital during the period of RMB292.3 million.

Investing Activities

In the six months ended June 30, 2015, we had net cash outflow from investing activities of RMB207.7 million (US\$33.5 million), primarily due to an increase in prepayment of investment for acquiring new projects, partially offset by proceeds from available-for-sale investments.

In the year ended December 31, 2014, we had net cash outflow from investing activities of RMB281.2 million (US\$45.4 million), primarily due to payment for purchase of property, plant and equipment of RMB426.0 million (US\$68.7 million), reflecting our prepayment for purchasing head office building in Shenzhen of RMB368.5 million (US\$59.4 million) and prepayment for purchasing other property, plant and equipment, partially offset by net proceeds from available-for-sale investments of RMB127.4 million (US\$20.5 million).

In the year ended December 31, 2013, we had net cash inflow from investing activities of RMB112.7 million, primarily due to proceeds from disposal of a subsidiary of RMB240.0 million, partially offset by (i) payment for purchase of available-for-sale investments of RMB120.0 million, and (ii) payment for purchase of property, plant and equipment of RMB30.9 million.

In the year ended December 31, 2012, we had net cash inflow from investing activities of RMB194.4 million, primarily due to proceeds from disposal of the Harbin Trade Center Company of RMB220.7 million, partially offset by the payment for purchase of property, plant and equipment of RMB27.3 million, which primarily related to the office space retained at Haode Yinzuo for our office use and purchase of vehicles and office equipment to support our continued business growth.

Financing Activities

In the six months ended June 30, 2015, we had net cash inflow from financing activities of RMB991.1 million (US\$159.9 million), primarily due to the issuance of the Convertible Notes in an aggregate principal amount of US\$120.0 million equivalent to RMB736.1 million, net proceeds from bank loans and other borrowings of RMB433.0 million (US\$69.8 million), partially offset by dividends paid of RMB192.5 million (US\$31.0 million).

In the year ended December 31, 2014, we had net cash outflow from financing activities of RMB27.1 million (US\$4.4 million), primarily due to (i) dividends paid of RMB624.3 million (US\$100.7 million), and (ii) prepayment of bank loans and other borrowings of RMB541.8 million (US\$87.4 million), partially offset by proceeds from new bank loans and other borrowings of RMB1,220.0 million (US\$196.8 million).

In the year ended December 31, 2013, we had net cash inflow from financing activities of RMB1,203.9 million, primarily due to (i) issue of new shares of RMB1,285.9 million, reflecting proceeds from our listing on the SEHK, and (ii) proceeds from new bank loans and other borrowings of RMB841.5 million, partially offset by (i) the repayment of bank loans and other borrowings of RMB706.6 million, (ii) acquisition of non-controlling interests of RMB150.0 million in our Ganzhou Trade Center project, and (iii) interest and other borrowing costs paid of RMB110.4 million.

In the year ended December 31, 2012, we had net cash inflow from financing activities of RMB1,044.2 million, which consisted primarily of (i) proceeds from loans of RMB690.5 million, primarily including the loan provided by Ping An Trust Co., Ltd. in 2012, and (ii) proceeds from capital issuance of RMB344.0 million, relating to the 2012 Pre-IPO Investments made by Ping An Hawking Fund, Creat and Zhenshuo, as well as the capital contribution made by a then minority shareholder of the Ganzhou Trade Center in 2012.

Indebtedness

As of June 30, 2015, we had outstanding indebtedness of RMB2,696.3 million (US\$434.9 million). The following table sets forth components of our indebtedness as of the dates indicated.

	As of December 31,				As of June 30,	
	2012	2013	2014		2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
Current						
Short term bank loans and other borrowings—secured	630,000	70,000	145,000	23,387	200,000	32,258
Current portion of non-current bank loans and other borrowings—secured	43,000	183,860	224,500	36,210	601,150	96,960
Short term bank loans - unsecured ...	16,000	28,000	—	—	—	—
Subtotal	<u>689,000</u>	<u>281,860</u>	<u>369,500</u>	<u>59,597</u>	<u>801,150</u>	<u>129,218</u>
Non-current						
Bank loans and other borrowings—secured	60,000	602,000	1,192,600	192,355	1,194,000	192,581
Convertible Notes	—	—	—	—	701,133	113,086
Subtotal	<u>60,000</u>	<u>602,000</u>	<u>1,192,600</u>	<u>192,355</u>	<u>1,895,133</u>	<u>305,667</u>
Total	<u>749,000</u>	<u>883,860</u>	<u>1,562,100</u>	<u>251,952</u>	<u>2,696,283</u>	<u>434,885</u>

We had total borrowings of RMB749.0 million, RMB883.9 million and RMB1,562.1 million (US\$252.0 million) and RMB2,696.3 million (US\$434.9 million) as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The following table sets forth the maturity profile of our borrowings as of the dates indicated:

	As of December 31,				As of June 30,	
	2012	2013	2014		2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
On demand or within 1 year ⁽¹⁾	689,000	281,860	369,500	59,597	801,150	129,218
Between 1 and 2 years	—	181,000	399,230	64,392	347,260	56,010
Between 2 and 5 years	60,000	421,000	793,370	127,963	1,547,873	249,657
Total	<u>749,000</u>	<u>883,860</u>	<u>1,562,100</u>	<u>251,952</u>	<u>2,696,283</u>	<u>434,885</u>

(1) Such amount includes the current portion of our longer term borrowings and our short-term borrowings with the original maturity of less than one year.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, all of our bank loans and other borrowings are denominated in Renminbi.

Substantially all of our bank loans and other borrowings are secured by one or a combination of the following methods: land to be developed, properties under development, properties held for sale, land-use rights, intellectual property, shares of our subsidiaries, bank deposits, guarantees by our subsidiaries and/or guarantees by our Controlling Shareholders. The following table sets forth our assets that were used to secure our bank and other borrowings as of the dates indicated.

	As of December 31,				As of June 30,	
	2012	2013	2014		2015	
	RMB	RMB	RMB	US\$	RMB	US\$
Properties under development for sale	1,076,983	722,620	981,722	158,342	1,491,595	240,580
Completed properties	120,075	460,535	904,770	145,931	923,798	149,000
Properties held for future development sale	–	133,360	252,088	40,659	399,687	64,466
Investment properties	–	–	–	–	174,400	28,129
Total	<u>1,197,058</u>	<u>1,316,515</u>	<u>2,138,580</u>	<u>344,932</u>	<u>2,989,480</u>	<u>482,175</u>

Contingent Liabilities

We provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of our properties. Pursuant to the terms of the guarantees, if there is a default of the mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. Our guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of our properties was RMB475.0 million, RMB1,482.1 million, RMB2,551.0 million (US\$411.5 million) and RMB2,648.4 million (US\$427.2 million) as of December 31, 2012, 2013 and 2014 and June 30, 2015. We do not expect that we will sustain a loss under these guarantees as we can take over the ownerships of the related properties and sell the properties to recover any amounts paid by us to the banks. We also believe that the fair market value of the underlying properties is able to cover the outstanding amount of mortgage loans guaranteed by us in the event the purchasers default on their payments to the banks. In each of the above periods, we did not record any loss in this regard.

Commitments

The following table sets forth our commitments in respect of (i) construction and development contracts, and (ii) land agreements for property development as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB'000			
Construction and development contracts	1,222,759	1,223,694	1,926,765	2,044,019
Land agreements	–	–	330,588	178,850
Total	<u>1,222,759</u>	<u>1,223,694</u>	<u>2,257,353</u>	<u>2,222,869</u>

We lease a number of properties for our internal use under operating leases. The leases typically have an initial term of two to five years, with an option to renew based on renegotiated lease terms. The following table sets forth our operating lease commitments as of the dates indicated:

	As of December 31,		
	2012	2013	2014
		RMB'000	
Within one year	9,537	13,893	53,534
After one year but within two years	16,421	12,373	47,385
After two years but within five years	—	—	115,000
Total	<u>25,958</u>	<u>26,266</u>	<u>215,919</u>

Off-Balance Sheet Arrangements

As of June 30, 2015, we did not have any material off-balance sheet arrangements.

Quantitative and Qualitative Disclosure about Market Risk

Reflecting the nature of our property development, investment and management operations, we are exposed to various financial risks in the normal course of our business. However, our sales were primarily denominated in RMB, being the functional currency of our major operating subsidiaries; therefore, we expect that future exchange rate fluctuation will not have any material effect on our business. We did not use any financial instruments for hedging purpose.

INDUSTRY OVERVIEW

Certain information and statistics set out in this section have been extracted from an industry report that we commissioned from Savills, and from various government publications, market data provider and other independent third-party sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us or any other party involved in the offering of the Notes and no representation is given as its accuracy. Accordingly, such information should not be unduly relied upon.

PRC Trade Center Market

Trade centers in the PRC are generally shopping malls or similar places where groups of merchants can display and sell their goods. Trade centers are the most important distribution channel in China through which goods or products are distributed from producers or manufacturers to down-stream traders and end-users. According to the Savills Report, over 80% of agricultural products and 60% of industrial goods and production materials transactions are conducted in trade centers. The table below sets forth, as of or for the years indicated, certain information relating to trade centers in the PRC:

	As of or for the year ended December 31,									8-year compound annual growth rate ("CAGR")
	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Number of trade centers	3,323	3,876	4,121	4,567	4,687	4,940	5,075	5,194	5,089	5.5%
Number of trade center stalls (in millions)	2.25	2.53	2.68	2.84	2.99	3.19	3.33	3.49	3.49	5.6%
Total sales area (sq.m. in millions)	131.4	180.7	198.1	212.3	232.3	248.3	262.3	279.0	288.7	10.3%
Sales turnover.....										
Wholesale (in RMB billions)	2,454	2,968	3,587	4,312	4,831	6,096	6,939	8,014	8,463	16.7%
Wholesale as a % of total (%)	82%	80%	81%	82%	83%	84%	85%	86%	86%	N/A
Retail (in RMB billions)	548	746	821	934	966	1,175	1,263	1,288	1,374	12.2%
Retail as a % of total (%)	18%	20%	19%	18%	17%	16%	15%	14%	14%	N/A
Total (in RMB billions)	3,002	3,714	4,409	5,246	5,796	7,270	8,202	9,302	9,837	16.0%

Source: Savills Report

Trade centers are primarily categorized by size, which is indicative of the market strength and fitness of the developers and operators, as well as the degree and willingness of government support towards such trade center project. The table below sets forth certain details on trade centers based on size:

Type	GFA (sq.m.)	Characteristics
Large-scale trade center	At least 400,000	Very few projects of this scale exist in China. These projects tend to have either (i) originated from much-smaller projects which have undergone several expansion and re-configuration phases, such as Yiwu Small Commodities Market in Jinhua or (ii) are in the process of being developed in different phases, such as China South City Shenzhen. According to the Savills Report, going forward a larger proportion of new trade centers will be large scale.

Type	GFA (sq.m.)	Characteristics
Medium scale trade center	50,000 to 400,000	Medium scale trade centers constitute a significant market segment in the industry. At the time they were built, older medium scale trade centers were considered to be large scale. According to the Savills Report, going forward medium scale trade centers will still play a key role as the market continues to consolidate.
Small scale trade center	Less than 50,000	The majority of trade centers in China are defined as small scale. Typical small scale trade centers are older, as they were built at a time to accommodate goods exchange and trade during the early phases of economic development in China. Small scale trade centers individually represent a relatively insignificant amount of wholesale trade volume and amount, and as a result are likely to be phased out and replaced either by medium or large scale counterparts, or by other retail formats and facilities.

Source: Savills Report

Trade centers may also be broadly categorized into integrated markets for the wholesale of multiple product groups, or specialized markets for the wholesale of a single product or a few product groups. The table below sets forth, for the years indicated, a breakdown of the types of trade centers (with annual sales of over RMB100 million):

	As of or for the year ended December 31,									8-year CAGR
	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Integrated markets										
Industrial products	228	295	310	287	286	310	314	330	315	4.1%
Agricultural products	539	811	830	630	657	691	702	715	689	3.1%
Others	N/A	N/A	N/A	331	337	340	352	298	331	6.7% ⁽¹⁾
Subtotal	767	1,106	1,140	1,248	1,280	1,341	1,368	1,392	1,381	7.6%
Specialized markets										
Metal hardware	N/A	51	65	71	71	80	75	80	78	10.6% ⁽²⁾
Home decoration and furniture	71	100	113	109	130	135	138	158	159	10.6%
Building materials	274	333	363	396	430	480	525	572	577	9.8%
Others	1,869	2,041	2,219	2,743	2,776	2,904	2,969	3,230	2,894	5.6%
Subtotal	2,214	2,525	2,760	3,319	3,407	3,599	3,707	3,802	3,708	6.7%
Other markets ...	342	245	221	-	-	-	-	-	-	-
Total	3,323	3,876	4,121	4,567	4,687	4,940	5,075	5,194	5,089	5.5%

Source: Savills Report

(1) 5-year CAGR.

(2) 7-year CAGR.

Trade Centers by Region

Within the PRC trade center market, the eastern China region, which consists of the Shanghai Municipality and the Provinces of Jiangsu, Zhejiang, Shandong, Anhui, Fujian and Jiangxi, continues to be the trade center hub of China. The charts below set forth, for the years indicated, certain information on trade centers by region in China:

	Number of trade centers by PRC region								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Northern China	419	491	534	579	601	612	609	601	578
Northeastern China	265	287	319	384	380	382	384	391	372
Eastern China	1,690	1,976	2,090	2,211	2,275	2,357	2,429	2,482	2,431
Central China	333	441	466	540	539	620	667	682	666
Southern China	332	350	360	430	434	474	469	487	462
Southwestern China	175	198	220	271	281	310	329	342	359
Northwestern China	109	133	132	152	177	185	188	209	221

Source: Savills Report

	Sale area in trade centers by PRC region								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
	(in million sq.m.)								
Northern China	28	34	46	41	46	48	49	50	51
Northeastern China	9	26	13	15	16	14	15	15	16
Eastern China	58	71	82	94	106	112	119	128	127
Central China	9	14	16	20	21	25	26	27	28
Southern China	10	13	19	21	20	22	25	27	24
Southwestern China	6	8	10	12	12	15	17	18	23
Northwestern China	11	13	13	9	11	12	12	14	20

Source: Savills Report

	Number of trade center stalls by PRC region								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Northern China	412,505	465,242	489,256	473,521	507,504	535,415	542,462	545,010	530,331
Northeastern China	254,101	259,747	280,726	300,296	294,125	294,897	301,210	298,868	291,974
Eastern China	968,435	1,098,126	1,175,980	1,225,460	1,300,786	1,363,729	1,432,789	1,509,939	1,517,611
Central China	221,970	270,153	284,690	312,924	331,962	362,923	390,570	408,336	395,732
Southern China	175,655	192,716	196,436	229,047	231,827	258,913	267,439	290,431	289,087
Southwestern China	135,155	152,188	163,558	198,351	205,013	238,577	263,044	285,716	309,064
Northwestern China	80,982	89,815	90,984	99,471	123,564	138,861	137,273	155,822	154,371

Source: Savills Report

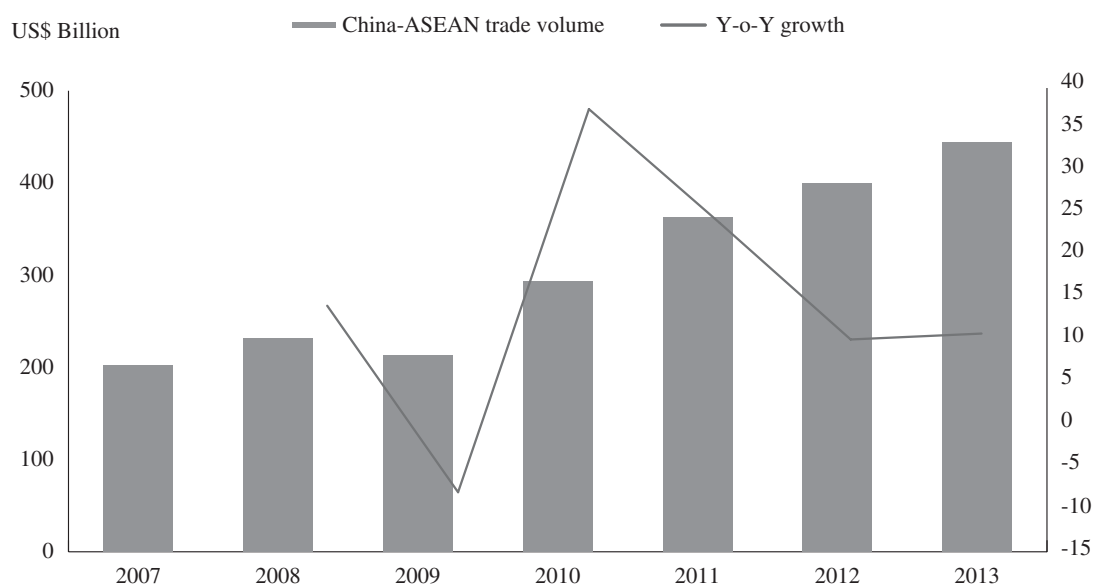
	Sales turnover by PRC region								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
	(RMB in 100 millions)								
Northern China	3,975	5,242	6,404	7,270	8,293	10,407	10,758	11,312	12,259
Northeastern China	1,994	2,384	2,686	3,553	3,919	4,853	5,377	6,113	6,209
Eastern China	17,983	21,621	26,083	29,976	32,513	40,812	46,369	53,683	56,247
Central China	1,971	2,684	2,774	3,546	4,038	4,883	5,978	7,300	7,756
Southern China	2,277	2,944	3,331	4,269	4,588	5,805	6,195	6,641	6,638
Southwestern China	1,315	1,601	1,971	2,731	3,346	4,502	5,608	5,953	6,677
Northwestern China	506	661	835	1,092	1,268	1,442	1,732	2,021	2,579

Source: Savills Report

In terms of the total number of trade centers and total sales turnover, the eastern China region represented 47.8% and 57.2% of the total amounts in China, respectively, in 2013. In particular, Provinces of Jiangsu, Zhejiang and Shandong have emerged as the top three trade center hubs in China, together representing 36.8% and 41.2% of the total number of trade centers and total sales turnover, respectively, in China in the same year.

Major growth regions for trade centers include the central China region and southwestern China region. Such regions have benefitted from drivers such as (i) the relocation of industrial activities from coastal regions in China to inland regions, which offer cheaper labor costs and rapid infrastructure developments and (ii) the booming trade in recent years between China and ASEAN countries, being Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. The charts below set forth, for the years indicated, the growth in China-ASEAN trade:

China-ASEAN Trade, 2007-13



Source: Savills Report

China-ASEAN trade by country, 2007-2013

	2007	2008	2009	2010	2011	2012	2013
	(US\$ in billions)						
Brunei	0.4	0.2	0.4	1.0	1.3	1.6	1.8
Cambodia	0.9	1.1	0.9	1.4	2.5	2.9	3.8
Indonesia	25.0	31.5	28.4	42.8	60.6	66.2	68.4
Laos	0.3	0.4	0.8	1.1	1.3	1.7	2.7
Malaysia	46.4	53.6	52.0	74.2	90.0	94.8	106.1
Mynamar	2.1	2.6	2.9	4.4	6.5	7.0	10.2
Philippines	30.6	28.6	20.5	27.8	32.2	36.4	38.0
Singapore	47.1	52.5	47.9	57.1	63.7	69.3	75.9
Thailand	34.6	41.3	38.2	52.9	64.7	69.8	71.2
Vietnam	15.1	19.5	21.0	30.1	40.2	50.4	65.5

Source: Savills Report

In particular, the cities of Chongqing, Chengdu and Kunming, each of which is located in the central or southwestern China region, have emerged as major transportation centers in the Silk Road Economic Belt and the 21st Century Maritime Silk Road Plan, and are likely to continue prospering under these strategic economic plans for the projected future and assume a more significant role going forward.

Competitive Landscape

The table below sets forth, as of December 31, 2014, the ranking of trade center developers in China by number of large-scale trade center projects, including completed projects held, projects under development, and projects held for future development:

Ranking	Name of developer	Integrated trade center projects	Specialized trade center projects	Total trade center projects
1	Hydoo International	10	–	10
2	China South City	8	–	8
3	Shangyi Enterprises	3	2	5
4	China Metro-rural	4	–	4
	Wuzhou International	1	3	4
5	Haining Leather City	–	2	2
	Magnate Group	–	2	2
	Zall Development	2	–	2
	Northern Investment	–	2	2
6	Zhejiang China Commodities City Group ...	1	–	1
	Zhejiang Lechang	1	–	1
	Guijiahui Real Estate	1	–	1
	Nanxiang Wanshang	1	–	1

Source: Savills Report

The table below sets forth, as of December 31, 2014, the ranking of trade center developers in China by total landbank of large-scale trade centers, including completed projects held, projects under development, and projects held for future development:

Ranking	Name of developer	Estimated total GFA (sq.m.)
1	China South City	23,000,000
2	Hydoo International	9,400,000
3	Zhejiang China Commodities City Group	5,500,000
4	China Metro-rural	2,580,000
5	Zall Development	3,400,000
6	Wuzhou International	2,062,000
7	Zhejiang Lechang	1,400,000
8	Haining Leather	1,700,000
9	Northern Investment	1,200,000
10	Shangyi Enterprises	950,000

Source: Savills Report

Recent Market Trends

Since 2013, the market growth of trade centers in China has experienced a slowdown in the number of trade centers and sales growth. According to Savills, the trade center industry may be undergoing a cyclic trend attributable to slowing economic growth in China and the anti-graft campaigns in the PRC government. Structurally, however, the market is undergoing continuous transformation, and there has been development of a mix of trade centers with e-commerce to serve as a new platform for manufacturers, agents, merchants and traders, as well as end-users for goods and products transactions. Other drivers for the continued development of the PRC trade center industry include:

- Rising urbanization trend in China;
- The PRC government's long term goals for stimulating of domestic demand;
- Preferential regulatory support from the PRC government to the trade center industry, including preferential tax rates;

- Improved infrastructure to enhance connectivity to expressways and other transport systems; and
- Convergence of trade centers with e-commerce which have caught the attention from the state government leaders.

Continued Convergence with E-Commerce and Logistics

According to Savills, the convergence between trade centers and e-commerce began in 2013 with the creation of a number of strategic alliances between trade center players and e-commerce players such as JD.com exploring the business-to-business-to-consumer model and new trading platforms. This was followed by a partnership between China South City and Tencent in 2014 in which Tencent positioned China South City as its logistics hub and provided China South City with e-commerce support to extend trade platform services. Other major players also entered into strategic alliances, such as Wuzhou International cooperating with Global Logistics Properties Investment Management (China) in June 2014 with respect to a logistics park, followed by Wenzhou Transportation Group Limited in October 2014 seeking development opportunities in intercity transportation terminal commercial properties projects. In February 2015, Wuzhou International also entered into a strategic cooperation agreement with Qingdao Haier Industrial Development seeking opportunities in the development of a national network of logistics facilities and multi-functional commercial complexes. In November 2015, we formed a joint venture, in which we own a minority interest, with Shanghai Tiandihui Supply Chain Management Company Ltd. to provide warehouse management and logistic services to our project companies. In October 2015 and November 2015, we entered into strategic cooperation framework agreements with Shenzhen Zhong Shun Yi Financial Services Ltd. and Vinux (Beijing) Information Technology Co., Ltd., respectively, to provide online services to SMEs. According to Savills, the convergence trend is still at an early stage for major players in the trade centers and e-commerce industries, but it will allow them to expand their reach to SME traders and buyers.

New Acquisitions and Expansion

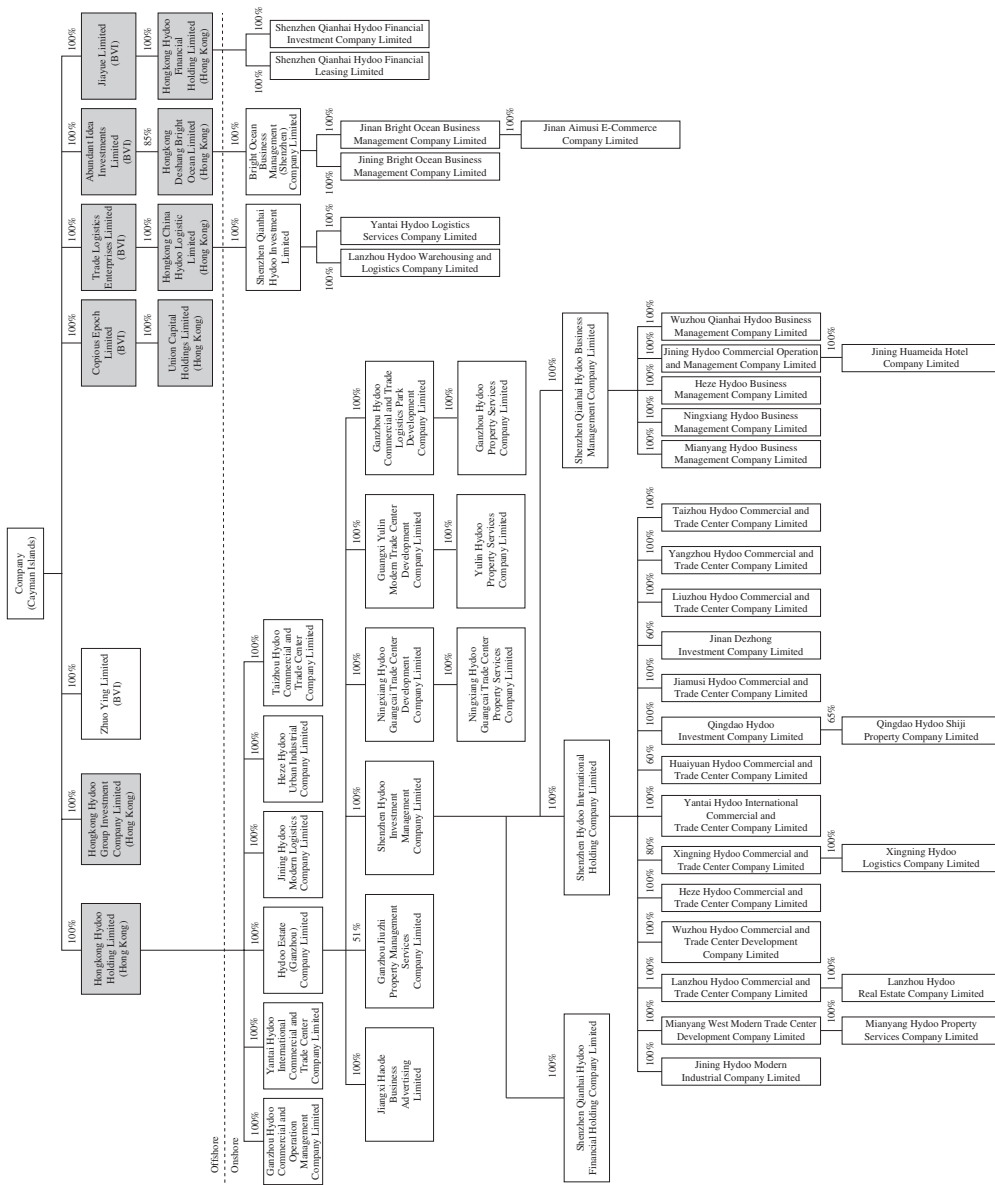
In 2014, major players in the PRC trade center market have continued their development by acquiring or bidding for new land-use rights for future development. For example, according to Savills, China South City has signed at least four memoranda of understanding with government authorities for the development of new trade centers or warehouses in Chongqing, Guangzhou, Nanchang and Xian, and Hydoo International has signed three memoranda of understanding with government authorities for the development of new trade centers in Liuzhou, Tianjin and Bengbu.

Continued Regeneration and Relocation of Trade Centers

In recent years, there have been policies for the regeneration and relocation of older trade centers in China. In 2014, newly-implemented policies included encouraging the relocation of trade centers to suburban areas in Beijing, Guangzhou and other major cities in order to create space for urban redevelopment schemes and to accelerate rural-to-urban migration trends in China.

CORPORATE STRUCTURE

The following diagram illustrates our corporate structure as of the date of this offering circular.



Note: Subsidiaries shaded in grey will guarantee the Notes.

BUSINESS

Overview

We are a leading developer and operator of large-scale trade centers in China. As of June 30, 2015, we were simultaneously developing and operating 13 projects in nine provinces and autonomous regions in China, ten of which were large-scale trade centers. We ranked first based on our number of large-scale trade centers in China and ranked second based on our aggregate estimated and uncompleted GFA of large-scale trade centers in China as of December 31, 2014, according to the Savills Report. As of June 30, 2015, we had a total land bank of 10.4 million sq.m.

Our business focuses on the development and operation of large-scale trade centers in third- and fourth-tier, and selected second-tier, cities in China. We currently generate most of our turnover through the sales of properties, and we expect to generate an increasing portion of turnover through rental income in the future. We seek to develop each trade center project into the largest integrated commercial complex in the local region for the wholesale and retail sale of a wide range of products including hardware, electric tools, building materials, furniture and home furnishings, home electronics, apparel and small goods. We design our trade centers to seamlessly integrate the wholesale trading market properties with other on-site facilities such as shopping malls, exhibition and conference centers, hotels, residential and office space, warehouses and other logistics facilities.

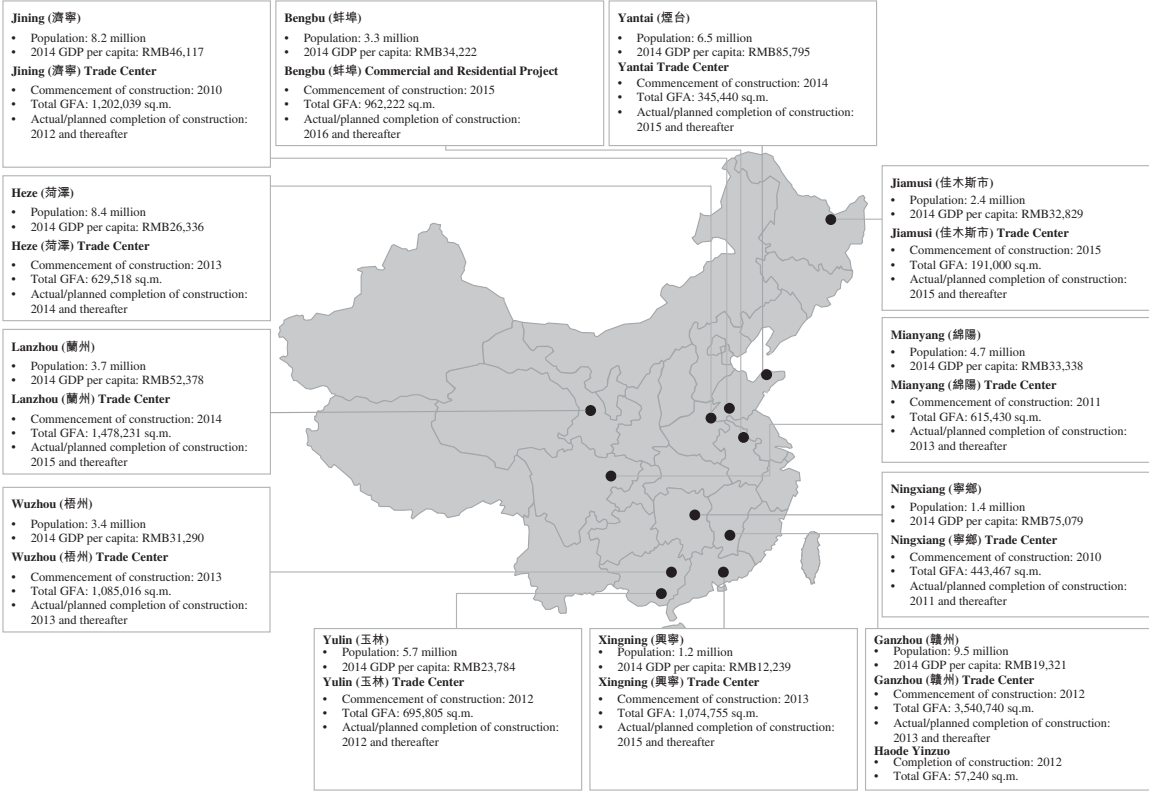
Our business is strategically positioned to benefit from two significant industry and regulatory trends in China—a shift in the government’s urbanization focus from major cities to small- and mid-sized cities and increasing government support for the development of wholesale markets. In the Twelfth Five-Year Plan (2011-2015), the PRC government announced its focus on the urbanization of small- and mid-sized cities. We believe the urbanization of small- and mid-sized cities will be one of the major drivers for China’s economic growth in the coming decade. The urbanization of these cities will require a more streamlined flow of goods, the creation of efficient wholesale networks and a significant increase in domestic consumption—changes that our trade center projects are well positioned to facilitate. In addition, the government adopted a policy of increasing domestic consumption and explicitly stated its plan to promote integrated wholesale trading markets and large-scale trade and logistics enterprises. According to the Savills Report, the trade center industry is growing rapidly as evidenced by the fact that the total GFA of trade centers in China more than doubled and gross merchant sales of trade centers more than tripled between 2005 and 2013. We have a proven business model that focuses on property sales to owners of SMEs in regions where we develop and operate our trade centers. We are committed to the long-term success of our trade center projects by catering to the preferences of SMEs in these regions in China to own, instead of lease, properties to conduct their businesses. We plan the early stages of our development projects to consist primarily of properties for sale, such as wholesale trading market units, and seek to sell the vast majority of our properties to SMEs who will actively conduct business at our trade centers. As a result, the continued growth of our customers’ businesses is firmly supported by the bustling commercial environment at our trade centers which we believe contributes to the value appreciation of their purchased properties. Sales proceeds from the earlier stages of our development projects also significantly reduce our dependence on alternative financial resources to meet our working capital requirements. The success of our initial-stage sales and the development of an active trading environment also allow us to increase the sales and lease prices of our properties and capture higher property value in later development stages. As our current development projects enter later phases of development, typically three to five years after the initial development, we plan to retain a proportion of trade center properties as investment properties for long-term recurring income and capital appreciation.

Our projects typically receive strong support from various government authorities, reflecting the scale of our trade center projects, our compelling value propositions and our management’s depth of experience in developing trade center projects that we believe have benefited the local economies. Local government authorities’ recognition of our value proposition, coupled with our strong execution capability including our disciplined approach to land selection and acquisition process, is reflected in our ability to consistently acquire high quality land at competitive costs. In addition, in line with the common practice for local governments to provide monetary support to trade center developers in China, we have historically received significant government grants in support of our trade center projects and expect to continue to receive government grants for our existing trade center projects. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Government Grants.”

Our origins trace back to 1995, when the Wang Family Group first commenced the development of trade center projects in China. Such projects were developed by the Wang Family Group under the

business name “Howard” (“豪德”). Between 1995 and 2010, the Wang Family Group developed 19 trade center projects in seven provinces in China.

The following map illustrates the locations and selected information, including the actual/planned completion dates of each of our current 13 projects as of June 30, 2015.



Our business operations have experienced significant growth. We engage in the property development business, and our results of operations are significantly affected by the economic growth and regulatory measures of the real estate industry in China. In addition, as we focus on the development of large-scale trade center projects with an aggregate estimated GFA of more than 400,000 sq.m. and a development cycle of five to ten years, our results of operations are significantly affected by the total GFA and sales prices of properties delivered during any relevant period. In addition, we are also affected by our ability to control construction costs and acquire quality land at acceptable costs, LAT and cost of financing. See “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting Our Results of Operations.” In particular, for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our turnover amounted to RMB1,607.1 million, RMB4,756.5 million, RMB3,360.2 million (US\$542.0 million), RMB974.1 million and RMB950.2 million (US\$153.3 million), respectively, and our aggregate GFA of properties sold was approximately 355.7 thousand sq.m., 694.0 thousand sq.m., 498.8 thousand sq.m., 139.1 thousand sq.m. and 133.5 thousand sq.m., respectively. In the same periods, our profit for the period amounted to RMB214.8 million, RMB1,176.0 million and RMB506.5 million (US\$81.7 million), RMB219.1 million and RMB280.7 million (US\$45.3 million), respectively.

Our Competitive Strengths

Market Leader in the Large-Scale Trade Center Development Industry in China

We are a leading developer and operator of large-scale trade centers in China. Our market leadership is supported by our ability to execute multiple large-scale development projects at the same time across diverse regions in China. As of June 30, 2015, we were simultaneously developing and operating 13 projects in nine provinces and autonomous regions in China, ten of which were large-scale trade centers. We ranked first based on our number of large-scale trade centers in China and ranked second based on our aggregate estimated and uncompleted GFA of large-scale trade centers in China as of December 31, 2014, according to the Savills Report. As of June 30, 2015, we had a total land bank of 10.4 million sq.m.

In addition, our project in Ganzhou has an estimated GFA to which we have obtained the land-use rights of over 3.5 million sq.m., and our projects in Jining, Xingning, Lanzhou and Wuzhou have an estimated GFA to which we have obtained the land-use rights of over 1.0 million sq.m., placing them among the largest trade center projects being developed in China as of December 31, 2014, according to the Savills Report. We have a strong project pipeline that ensures future growth potential. In addition to our current projects, we entered into master investment agreements for another two development projects with local regulatory authorities in China and were in the process of acquiring land-use rights with respect to these development properties as of June 30, 2015.

Proven Business Model with Attractive Value Propositions to SMEs

We believe that our success is a direct result of our business model which focuses on property sales to owners of SMEs. We are committed to the long-term success of our trade center projects by catering to the preferences of these SMEs to own, instead of lease, properties to conduct their businesses. In particular, we design the early stages of our development projects to consist primarily of properties for sale, such as wholesale trading market units, and seek to sell the vast majority of our properties to SMEs who will actively conduct business at our trade centers. By focusing on sales to such purchasers, we are able to effectively develop a bustling commercial environment at our trade centers in the early stages of our development projects. The continued growth of our customers' businesses and appreciation in the value of their purchased properties is firmly supported by the rapidly modernizing commercial areas where our trade centers are located. Furthermore, sales proceeds from the earlier stages of our development projects significantly reduce our dependence on alternative financial resources to meet our working capital requirements. The success of our initial-stage sales and the development that ensues allow us to increase the sales and lease prices of our properties in later development stages.

Well-Positioned to Take Advantage of Significant Market Opportunities and Strong Government Support

With support from current PRC national policies, we believe we are well-positioned to take advantage of the continued economic growth, urbanization and domestic consumption levels of around 112 third-tier cities and 140 fourth-tier cities. Local governments in third- and fourth-tier cities have a pressing need to increase consumption levels, stimulate domestic consumption and local commerce, upgrade city scale and infrastructure, provide job opportunities, increase tax revenue and create sustainable economic growth. Limited by the existing commercial infrastructures within their cities that tend to be inefficient or obsolete, local governments are seeking experienced and reputable developers who can develop large-scale and transformative trade center projects.

As a leading developer and operator of large-scale trade centers in China led by an experienced management team with a proven track record of replicating our successes in various regions across China, we believe that we are well-positioned to assist local governments in further stimulating local commerce, facilitating urbanization and, ultimately, upgrading and transforming their cities. We typically receive strong support from various government authorities, reflecting the scale of our trade center projects, our compelling value propositions and our management team's rich experience in developing trade center projects that we believe have benefited the local economies. For example, in recognition of their contribution to economic growth and city development, our trade center projects in Jining, Yulin, Ganzhou, Xingning, Mianyang, Heze, Lanzhou, Yantai and Wuzhou have been designated as key development projects by provincial governments, and our Ningxiang Trade Center has been designated as a National Guangcai Key Project. In addition, local governments typically offer us a wide range of incentives in order to secure our commitment, such as access to land resources at favorable locations and at competitive prices, governmental subsidies and the construction of necessary supporting infrastructure such as roads and utility connections. In addition, in line with the common practice for local governments to provide monetary support to trade center developers in China, we have historically received significant government grants in support of our trade center projects and expect to continue to receive government grants for our existing trade center projects. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Government Grants." We believe that we are well-positioned to take advantage of these favorable policies and incentives.

Large Quantity of High Quality Land Acquired at Competitive Costs

We believe that our land acquisition strategy yields a low land acquisition cost and that our market leadership and proven track record of aligning our interests with those of the local governments provides us with a competitive advantage and strong bargaining power when negotiating for and acquiring project sites. Local government authorities' recognition of our value proposition is in turn reflected in our ability to consistently negotiate favorable land acquisition terms. Our disciplined approach to land selection has contributed to our favorable land cost structure. By June 30, 2015, the accommodation value of our 12 trade center projects for which we had then received land-use rights certificates or entered into land grant contracts was approximately RMB405 per sq.m. Our low accommodation value gives us greater pricing flexibility to cater to a broader customer base and respond more effectively to changing market conditions. In the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we obtained land-use rights or entered into land grant contracts for an aggregate of 12.3 million sq.m. of land, primarily located in strategically-selected suburban areas of cities which we believe have strong urbanization and economic growth prospects.

Strong Project Development Execution Capabilities

We benefit from our strong execution capabilities in developing large-scale trade center projects across diverse regions in China. Our disciplined development approach is supported by the systematic procedure we apply at each key step of our development process. For example, in selecting sites for our projects, we closely cooperate with local governments and conduct a comprehensive analysis and research of city development plans and local market conditions. Final site selection decisions are made by our investment committee including eleven members, including all of our executive directors and senior management members, who have an average of more than ten years of relevant experience. We engage leading domestic and international design firms, such as Beijing Institute of Architectural Design and WS Atkins plc, to support our project planning and design. As part of the construction process, our centralized procurement department leverages our purchasing power at a group level to negotiate the best available price terms for large equipment such as elevators and air conditioning units. Our centralized procurement process and large scale purchases also give us considerable bargaining power with our contractors and suppliers. Our project sales team is able to effectively create strong demand for our trade center properties through targeted market analysis and directed advertising and promotion activities, and pre-sell our trade center properties at our designated selling prices within a short period of time. Our sales staff conducts face-to-face sales activities with prospective customers and discusses the benefits of moving their businesses to our trade centers where they can benefit from a more dynamic commercial environment. Our sales staff uses its knowledge of potential purchasers to ensure a satisfactory percentage of our properties are sold to SMEs. Our scale, market credibility and brand recognition also allow us to have access to dependable sources of financing for our projects, helping us to achieve prudent financial leverage.

An Experienced Management Team with Strong Support from Leading Institutional Investors

The vision, experience and entrepreneurial spirit of our management team have contributed to our strong financial and operational performance and our ability to develop various large-scale projects in a highly disciplined and efficient manner. Our senior management has a proven ability to execute our business model in diverse regions across China. In particular, Mr. Wang Jianli, our Chairman and executive Director, has accumulated approximately 20 years of experience in the trade center development and operation industry. Mr. Wang Jianli is regarded as one of the pioneers of China's private sector and one of the leading entrepreneurs in the trade center development and operation industry. In addition, we believe that we will further benefit from the investments made in 2011 by Hony Capital, a leading private equity fund which focuses on investments in the greater China region, and in 2015, by Ping An Real Estate, the real estate investment management arm of Ping An Insurance (Group) Company of China, Ltd., due to their rich experience in corporate finance, corporate governance and real estate investment management, as well as from its international vision and long-term commitment to our business.

Our Strategies

Our goal is to strengthen our leading position in the large-scale trade center development industry in China. To achieve this goal, we intend to implement the following strategies:

Continue to Expand into New Cities with Rapid Economic Growth, Both Within and Beyond the PRC

We intend to leverage our experience from our existing projects to develop large-scale trade centers in other cities in China as well as beyond. In particular, we plan to strategically expand our geographic presence by entering into additional third-and fourth-tier, and selected second-tier, cities with rapid economic growth and the need for large-scale trade center projects. We have historically implemented our expansion plans in China, and have recently begun to pursue growth opportunities in other countries, such as Thailand. Our current strategy is to commence two to three new development projects each year. We plan to actively look for suitable opportunities to develop trade center projects where we can leverage our strengths and achieve attractive rates of return. In particular, we seek to establish projects in cities that satisfy the following criteria:

- promising local and regional economic growth potential, particularly with respect to industries typically represented in our trade centers;
- potential for significant market demand for a large-scale trade center to stimulate the growth of local commerce and consolidate disorganized trading activities in the local and adjacent areas into a single integrated platform;
- cities with relatively large, dense populations that are centrally located;
- land sites with easy access to a well-developed transportation network; and
- recognition of our value proposition and ability to build a long-term cooperative relationship with the local government for the development project.

Continue to Attract High-Quality Customers and Enhance Services to Increase Traffic Flow and Trading Activities

To enhance profitability, we will continue to enhance our approach to developing our projects. We have adopted the following initiatives:

- *Attract and Secure High-quality Customers.* We believe that we will continue to benefit from word-of-mouth referrals from our existing customers. In addition, we will continue to expand our relationships with trade associations, domestic suppliers, manufacturers, distributors, other SMEs, and capitalize on our in-depth knowledge of the industries represented at our trade centers to secure high-quality clients to form the core of our customer base. Securing high-quality customers will raise the profile and reputation of our trade centers and increase the flow of trade and commerce at our trade centers.
- *Adopt a Flexible Sales Strategy.* When we commence sales in a new trade center, we plan to offer more attractive sales and rental terms to high-quality clients, especially those key customers with expected significant trading volume. We will actively adjust the sales strategy of our properties and the allocation of properties for sale or leasing, reflecting market perceptions of our trade centers, general property market conditions as well as the availability of comparable or similar properties in the local region. We generally seek to increase sales prices and rental rates after the initial sales phase, as we believe that our clients will have by then established operations at our trade center and benefited from the increased flow of business activities and the wide range of value-added supporting services and facilities.
- *Enhance Value-added Services.* We intend to further improve the range and quality of value-added services available at our trade centers to meet our customers' needs. In particular, we plan to strengthen the strategic cooperation with existing service providers and introduce additional providers at our trade centers, such as leading commercial banks, telecommunications companies, catering service providers and logistic companies. By

providing customers access to these value-added services, we believe we will facilitate commercial activities at our trade centers and advance the business interests of our customers. We will also continue to work closely with local governments to strengthen the infrastructure surrounding our trade centers, which we believe will increase traffic flow and stimulate trading activities in the area.

Expand into Complementary businesses to Grow our Business Platform

We believe that our relationships with and the information obtained from our clients is a valuable resource that can allow us to successfully expand into other complementary businesses. For example, we intend to build up and promote our own online e-commerce platform that will supplement the offline sales efforts of small- and medium-sized businesses, especially those who operate from our trade centers. We have already begun developing and using an e-commerce platform at our Mianyang Trade Center and are encouraged by the results. We plan to expand this model to our other trade centers and believe that online platforms can both serve as an additional revenue stream to us, and increase the success and value of our trade centers.

We continue to explore and invest in other business opportunities that will enrich our current platform. These include the provision of financial services, including to those small- and medium-sized businesses that operate from our trade centers, as well as logistic services, such as storage facilities and shipping. We are additionally exploring opportunities in consumer products. We believe that each of these businesses provides significant growth opportunities, will both build off and strengthen our current platform of large-scale trade centers and will allow us to realize the efficiencies of operating a large platform.

Promote “Hydoo” (毅德) Brand Image and Engage in Active Marketing Activities

We will continue to strengthen our brand image as a leading developer and operator of large-scale trade centers by continuing to develop quality, highly-integrated projects. We believe that such efforts will result in potential customers and local governmental authorities associating our brand with successful, large-scale, integrated trade centers that create vibrant trading environments and provide strong return on investments. We believe such established and consistent brand image and reputation are highly effective in helping us to secure quality land resources from local governments and generate customer interest in our products. In addition to enhancing our brand image by delivering quality products, we also plan to engage in regional marketing initiatives, including advertising through a variety of media, such as television, newspapers and billboards. We also plan to organize and sponsor a variety of exhibitions and conferences at both national and local levels. In addition, we also intend to use a variety of public relations and promotion campaigns targeting potential customers, such as local SMEs active in the industries represented at our trade centers as well as regulatory authorities in China.

Take Advantage of the “Belt and Road” Initiative

We plan to take advantage of the “Belt and Road” initiative by the PRC government and the national policy of opening up inland commerce and trade. The “Belt and Road” initiative aims to build both land and sea trade routes connecting China to countries in other parts of Asia, Africa and Europe and further promote trade and commerce between China and countries along these trade routes. The PRC government has committed funds for infrastructure construction in the areas along these routes.

We have benefited from government efforts to globalize trade and commerce and we plan to continue to strategically locate our trade centers in locations where we expect to benefit from the “Belt and Road” initiative. We have entered into investment framework agreements with local governments for the construction of trade centers in Liuzhou, Taizhou and Panzhihua, each of which is located along these trade routes, and we expect to experience increased trade and commerce as a result. In addition, we have established a joint venture in Thailand, which is expected to develop trade center projects in Bangkok, Thailand. Thailand is located in the center of Southeast Asia and has supported the Chinese government’s “Belt and Road” initiative. We believe our proposed trade centers in Bangkok will serve the increased trade activities of Chinese SMEs in Southeast Asia resulting from the “Belt and Road” initiative.

Our Projects

As of June 30, 2015, we were simultaneously developing and operating 13 projects in various stages of development located in nine provinces and autonomous regions in China, ten of which were

large-scale trade centers. Each trade center project includes various forms of constituent buildings that are subject to separate certificate, permit and approval requirements relating to project development. Each project may be divided into multiple phases and each phase may include different forms of constituent buildings based on our overall development plan.

The properties of our development projects are classified into three categories based on their respective development stages:

- *Completed Properties*, representing properties for which construction of all constituent buildings have been completed but which have not been fully sold.
- *Properties under Development*, representing properties for which we have obtained land-use rights certificates and the construction work of which has commenced but has not been completed.
- *Properties Planned for Future Development*, representing properties with respect to which (i) we have either received the land-use rights certificates, or have entered into land grant contracts with regulatory authorities in China, but have not yet commenced construction work (which we refer to in this offering circular as “properties planned for future development—with land grant contracts or land-use rights certificates”), or (ii) we have entered into master investment agreements with regulatory authorities in China and have not entered into land grant contracts with regulatory authorities in China (which we refer to in this offering circular as “properties planned for future development” and are described separately under the subsection headed “—Our Projects”). As a result, information regarding our properties planned for future development included in this offering circular, such as project planning, design, function, constituent buildings and other features, reflects our current expectations only and is subject to government approvals and further changes.

The following table sets forth a summary for each trade center project of the actual/estimated GFA and percentage of actual/estimated GFA of (i) completed properties (including both delivered and undelivered properties), (ii) properties under development and (iii) properties planned for future development—with land grant contracts or land-use rights certificates, as of June 30, 2015. Unless otherwise indicated, the categorization of our development properties as well as information presented with respect to such properties in this offering circular are based on the development progress made as of June 30, 2015.

	Actual GFA of completed properties	Estimated GFA of properties under development	Estimated GFA of properties planned for future development ⁽¹⁾	Total GFA with land-use rights ⁽¹⁾	Total GFA of properties delivered	Land bank
			(sq.m.)			
Ganzhou Trade Center	633,866	142,921	2,763,953	3,540,740	538,522	3,002,218
Lanzhou Trade Center	—	561,824	916,407	1,478,231	—	1,478,231
Wuzhou Trade Center	112,762	359,374	612,880	1,085,016	1,928	1,083,088
Xingning Trade Center	91,335	320,343	663,077	1,074,755	37,709	1,037,046
Bengbu Commercial and Residential Project	—	—	962,222	962,222	—	962,222
Jining Trade Center	561,805	301,984	338,250	1,202,039	408,429	793,610
Heze Trade Center	247,166	—	382,352	629,518	64,628	564,890
Yulin Trade Center	282,631	—	413,174	695,805	175,394	520,411
Yantai Trade Center	—	154,212	191,228	345,440	—	345,440
Mianyang Trade Center ...	479,026	—	136,404	615,430	350,090	265,340
Jiamusi Trade Center	—	—	191,000	191,000	—	191,000
Ningxiang Trade Center ..	381,949	61,518	—	443,467	280,422	163,045
Haode Yinzuo	48,650	—	—	48,650	38,779	9,871
Total	2,839,190	1,902,176	7,570,947	12,312,313	1,895,901	10,416,412

(1) Properties which we have either received the land-use rights certificates, or have entered into land grant contracts with regulatory authorities in China, but have not yet commenced construction work.

As of June 30, 2015, among our total land bank of 10.4 million sq.m., 27.1% consists of wholesale trading market units, 16.6% consists of shopping malls, 21.8% consists of residence (including serviced

apartments), 10.6% consists of office buildings, 7.7% consists of warehouses, 6.0% consists of hotels, 4.7% consists of commercial and exhibition centers, and 5.5% consists of others.

In determining planned dates (including the planned dates of construction commencement and completion for properties under development and properties planned for future development and the planned dates of pre-sale or sale commencement and property delivery) and estimated site area and GFA information, we rely on certain assumptions, including that: (i) there will be no material change with respect to the general economic conditions in the PRC, performance of the PRC property market or demand for our trade center products, particularly in the regions where we plan to develop these properties; (ii) there will be no material change in the regulatory regime governing the real estate market in the PRC which could adversely affect our ability to develop such properties; (iii) there will be no significant delay or obstacle in obtaining necessary licenses and approvals to develop such properties, or any such licenses and approvals obtained are not subject to any material changes or amendments; (iv) we will be able to finance the project development through a combination of our working capital, external borrowings and other debt and equity financing on a timely basis; (v) we will be able to obtain the land-use rights with respect to the lands identified for our properties planned for future development as expected without any significant delay or difficulty; (vi) we will be able to carry out the development plan as set out in the master investment agreement without any material delay or significant changes or amendments to the development plan with respect to properties held for future development which we have not entered into land grant contracts with regulatory authorities in China; (vii) services provided by third party contractors, including our construction contractors, will meet our quality standards and requirements; (viii) there will be no material increase in the costs and expenses relating to the construction and development of the properties, including costs of construction materials and labor in the PRC; and (ix) we will not be involved in any material legal or other proceedings that could significantly affect our project development process. These estimates and plans are forward-looking statements and are outside of our control. See “Forward-looking Statements.”

Based on the above assumptions, estimated site area and GFA information in this offering circular is derived on the following bases:

- *Site area information:*
 - If we have received the land-use rights certificates with respect to certain properties, the site area information in respect of such properties refers to the site area information set forth in the land-use rights certificates; and
 - If we have not received the land-use rights certificates with respect to certain properties, the site area information in respect of such properties is estimated based on the site area information set forth in the land grant contract, or if not yet available, the master investment agreements signed with regulatory authorities in China relating to such properties (excluding the areas identified for public use, such as roads, community recreation zones or other public infrastructure).
- *Total GFA information:*
 - If the construction of the properties is completed and a completion inspection filing has been made, the total GFA information in respect of such completed properties refers to the total GFA information set forth in the completion certificate; or
 - If the completion inspection filing has not been made, the total GFA information in respect of such properties is estimated based on: (i) the total GFA information set forth in the construction work commencement permit; (ii) the total GFA information set forth in the construction work planning permit if the construction work commencement permit is not yet available; (iii) our current development plans if none of the above documents is otherwise available; or (iv) the total GFA information if any is indicated in the master investment agreement we entered into with regulatory authorities in China.

The total GFA generally includes non-saleable GFA and saleable GFA. Non-saleable GFA generally includes GFA of properties that are not saleable pursuant to PRC laws and regulations, such as communal facilities, underground space for civil defense purposes and parking lots. Saleable GFA

generally refers to the GFA of properties that are saleable pursuant to PRC laws and regulations, including internal floor area and shared areas that are exclusively allocated to such properties.

In terms of GFA, the largest class of constituent buildings at each of our trade centers is wholesale trading markets. These wholesale trading markets generally consist of numerous two- to three-story buildings that are typically 16-20 meters by 40-80 meters in size. Each building is divided by a road that is approximately 10-20 meters wide. This design layout optimizes the amount of storefront area so that shoppers can move easily between stores and also allows vehicles to move between units in order to transfer merchandise. This design addresses a problem in many of China’s trading markets where vehicular access is a common bottleneck.

Each building that forms a part of our wholesale trading markets is typically divided into 15-35 units that have an average GFA of 70-140 sq.m. The ground floor of each unit is generally used for product display, while the upper floors are either used for display or for offices or storage. Purchasers of our units have the option of purchasing several adjoining units to create larger shops. This flexibility allows us to accommodate the varying space and design requirements of our unit purchasers.

The buildings that comprise the wholesale trading markets at our trade centers are generally similar in size and function, though the exterior finishing may differ between trade centers. This uniform approach allows us to save design and construction costs while providing flexibility in creating distinctive designs at each of our trade centers. From time to time, we also tailor the design of our wholesale trading markets to fit the particular needs of the industry served. For example, in the Mianyang and Ganzhou Trade Centers the wholesale trading markets are designed with a split-level floor plan to accommodate the hilly topography of the area. To accommodate the needs of our customers, we may also increase the height of certain of our wholesale trading market buildings.

In addition to wholesale trading markets as the primary type of constituent buildings, shopping malls are the second largest class of constituent buildings at our trade centers in terms of GFA. The shopping malls at our trade centers generally consist of a number of three- to five-story buildings that are typically 60-85 meters by 150-210 meters in size. Each building that forms a part of our shopping malls is typically divided into 1,500-2,000 units that have an average GFA of 10-30 sq.m. Our shopping malls are generally modern in design, most of which are reinforced concrete buildings with glass curtain walls.

Ningxiang Trade Center



Ningxiang Trade Center is located approximately three kilometers west of Ningxiang’s city center, a county in Changsha, the capital of Hunan province. Highway 319 runs along the eastern edge of the Ningxiang Trade Center and provides Ningxiang with convenient access to other key cities in Hunan, such as Changsha, Zhuzhou and Xiangtan.

Ningxiang Trade Center is planned to cover a site area of 1.3 million sq.m., and has an aggregate estimated GFA of approximately 1.2 million sq.m., which is expected to be developed in several phases. We entered into a master investment agreement with local governmental authorities for the project in 2009 and commenced construction in 2010. The pre-sale of wholesale trading market units commenced in 2010 and we started to deliver the properties to our customers in 2011. As of June 30, 2015, we had acquired land-use rights for all of Phase I encompassing a total site area of 301,387 sq.m. and expect a total GFA of 443,467 sq.m. upon full completion of Phase I.

As of June 30, 2015, we had completed the construction of wholesale trading markets, a freight-forwarding market, a commercial and exhibition center, warehouses, a bus terminal and information center, serviced apartments and had a hotel under construction at this trade center project.

Jining Trade Center



Jining Trade Center is located approximately six kilometers west of Jining, a prefecture-level city in southwestern Shandong province, and is one of the three major industrial bases in Shandong province. It is easily accessible by a number of connecting bus lines, and lies within 10 kilometers of the Jining train station and 30 kilometers of Jining Qufu airport.

Jining Trade Center is planned to cover a site area of approximately 2.0 million sq.m., and has an aggregate estimated GFA of approximately 3.0 million sq.m., which is expected to be developed in several phases. We entered into a master investment agreement with local governmental authorities for the project in 2009 and commenced construction in 2010. The pre-sale of wholesale trading market units commenced in 2010 and we started to deliver the properties to our customers in 2012. As of June 30, 2015, we had acquired land-use rights for all of Phase I and Phase II encompassing a total site area of 975,863 sq.m. and expect a total GFA of 1,202,039 sq.m. for Phase I and Phase II when fully completed.

As of June 30, 2015, we had completed the construction of wholesale trading markets and a shopping mall, were constructing a commercial center, a hotel, an office building a residential area, and a commercial and exhibition center, and had warehouses, serviced apartments, and office buildings planned for future development at this trade center project.

Yulin Trade Center



Yulin Trade Center is located approximately two kilometers from Yulin, the fourth largest city in Guangxi, located along the border with Guangdong province. The trade center's northern edge is bounded by Yulin Second Ring Road. It is 3 kilometers from Guang-Kun Freeway and is within 10 kilometers of Yulin train station.

Yulin Trade Center is planned to cover a site area of approximately 1.2 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in several phases. We entered into a master investment agreement with local governmental authorities for the project in 2010 and commenced construction in 2012. The pre-sale of wholesale trading market units commenced in 2012. As of June 30, 2015, we had acquired land-use rights for all of Phase I and Phase II and a portion of Phase III, encompassing a total site area of 523,887 sq.m. with a total planned GFA of approximately 695,805 sq.m. upon full completion of development.

As of June 30, 2015, we had completed the construction of wholesale trading markets and shopping malls, and had additional wholesale trading markets, serviced apartments, a commercial and exhibition center, a residential area and additional wholesale trading markets planned for future development at this trade center project.

Mianyang Trade Center

Mianyang Trade Center is strategically located in Mianyang, the second largest city in Sichuan province, approximately 120 kilometers northeast of Chengdu, the capital of Sichuan province, along the key highway and railway that connects Sichuan province and western and northern China.

Mianyang Trade Center covers a net land area of approximately 605,084 sq.m., which is estimated to consist of several phases, and is estimated to have a total GFA of approximately 615,430 sq.m. when fully completed. We entered into a master investment agreement with local governmental authorities for the project in 2010 and commenced construction in 2011. As of June 30, 2015, we had acquired all the land-use rights for this project.

As of June 30, 2015, we had completed the construction of wholesale trading markets, a commercial pedestrian street and certain supporting buildings and facilities, and had additional wholesale trading markets and a hotel planned for future development at this trade center project.

Ganzhou Trade Center

Ganzhou Trade Center is strategically located in southwestern Jiangxi province near the intersection of Jiangxi, Hunan and Guangdong provinces. Ganzhou lies along a major transportation route connecting the inland areas of China with China's southeastern coast. Two major railways intersect in Ganzhou, the Jing-Jiu Railway and the Gan-Long Railway.

Ganzhou Trade Center covers a net land area of approximately 1,475,298 sq.m., which is estimated to consist of several phases, and is estimated to have a total GFA of approximately 3.5 million sq.m. when fully completed. We entered into a master investment agreement with local governmental authorities for the project in 2011 and commenced construction in 2012. As of June 30, 2015, we had acquired all the land-use rights for this trade center project.

As of June 30, 2015, we had completed the construction of wholesale trading markets and shopping malls, were in the process of constructing a food street and additional shopping malls, and had a commercial and exhibition center, additional shopping malls, warehouses, supporting buildings and facilities, office buildings, a residential area, hotels and additional wholesale trading markets planned for future development at this trade center project.

Wuzhou Trade Center

Wuzhou Trade Center is strategically located in Wuzhou, a city in eastern Guangxi near the border of Guangxi and Guangdong. It is approximately 370 kilometers east of Nanning, the capital of Guangxi, and approximately 270 kilometers west of Guangzhou, the capital of Guangdong.

Wuzhou Trade Center is planned to cover a site area of approximately 1.3 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in several phases. We entered into a master investment agreement with local governmental authorities for the project in 2012 and commenced construction in 2013. As of June 30, 2015, we had acquired land-use rights for all of Phase I encompassing a total site area of 599,642 sq.m. with a total GFA of approximately 1,085,016 sq.m. upon full completion of Phase I development.

As of June 30, 2015, we had completed the construction of a commercial and exhibition center, were in the process of constructing certain supporting buildings and facilities, wholesale trading markets and shopping malls, and had a residential area, an office building, serviced apartments and a hotel planned for future development at this trade center project.

Heze Trade Center

Heze Trade Center is located in the city's central Mudan district along National Highway 220 and is approximately two kilometers from Heze's city center.

Heze Trade Center is planned to cover a site area of approximately 8.0 million sq.m. and has an aggregate estimated GFA of approximately 12.0 million sq.m. which is expected to be developed in several phases. We entered into a master investment agreement with local governmental authorities for the project in 2012 and commenced construction in 2013. As of June 30, 2015, we had acquired land-use rights for all of Phase I and a portion of Phase II encompassing a total site area of 587,239 sq.m., with a total GFA of approximately 629,518 sq.m. upon completion of Phase I and Phase II development.

As of June 30, 2015, we had completed the construction of wholesale trading markets, serviced apartments and certain supporting buildings and facilities, and had shopping malls, office buildings, serviced apartments, a residential area, and additional wholesale trading markets planned for future development at this trade center project.

Xingning Trade Center

Xingning Trade Center is located at the northeast of the Xingning train station in Diaofang. Xingning is a city governed by Meizhou city, situated in northeast Guangdong province near Jiangxi and Fujian provinces, which is accessible by major national highways connecting Guangdong and various other provinces in China.

Xingning Trade Center is planned to cover a site area of approximately 1.3 million sq.m. with a total GFA of approximately 2.0 million sq.m. which is expected to be developed in several phases. We entered into a master investment agreement with local governmental authorities for the project in 2012 and commenced construction in 2013. As of June 30, 2015, we had acquired land-use right for a portion of Phase I encompassing a total site area of 731,569 sq.m. with a total GFA of approximately 1,074,755 sq.m. upon completion of development.

As of June 30, 2015, we had completed the construction of wholesale trading markets, serviced apartments and certain supporting buildings and facilities, were in the process of constructing shopping malls and additional wholesale trading markets, and had a hotel, a residential area, an office building, additional wholesale trading markets and shopping malls planned for future development at this trade center.

Yantai Trade Center

Yantai Trade Center is located in the southern Zhifu district of Yantai, west of Shenhai Highway, nine kilometers north of Yantai railway station, east of the Yantai wharf and 9.5 kilometers south of the Laishan International Airport and Rongwu Highway. The location of Yantai Trade Center has exceptional geographical and transportation advantages.

Yantai Trade Center is planned to cover a site area of approximately 1.3 million sq.m. with a total GFA of approximately 2.4 million sq.m. which is expected to be developed in several phases. We entered into a master investment agreement with local governmental authorities for the project in 2013 and commenced construction in 2014. As of June 30, 2015, we had acquired land-use rights for all of Phase I encompassing a total site area of 160,056 sq.m. with a total GFA of approximately 345,440 sq.m. upon completion of development.

As of June 30, 2015, we were constructing shopping malls and certain supporting buildings and facilities, and had wholesale trading markets, an office building and serviced apartments planned for future development at this trade center project.

Lanzhou Trade Center

Lanzhou Trade Center is located in Yuzhong County, Lanzhou, which is next to the community of Lanzhou College. It is located in the south of Qinglan Highway and National Road 312 and the north of National Road 309, and is approximately 15 kilometers from downtown Lanzhou City, 20 kilometers and 80 kilometers from the railway station and airport of Lanzhou, respectively.

Lanzhou Trade Center is planned to cover a site area of approximately 4.0 million sq.m. with a total GFA of approximately 6.0 million sq.m. which is expected to be developed in several phases. We entered into a master investment agreement with local governmental authorities for the project in 2013 and commenced construction in 2014. As of June 30, 2015, we had acquired land-use rights for all of Phase I encompassing a total site area of 1,007,941 sq.m. with a total GFA of approximately 1,478,231 sq.m. upon completion of development.

As of June 30, 2015, we were constructing wholesale trading markets and a commercial pedestrian street, and had shopping malls, a hotel, an office building, warehouses, and additional wholesale trading markets planned for future development at this trade center project.

Bengbu Commercial and Residential Project

Bengbu Commercial and Residential Project is located in Huaiyuan County, Bengbu, northeast Anhui Province. It is located to the west of Beijing-Shanghai Railway and Beijing-Shanghai High-speed Railway, at the junction of 206 National Road, Provincial Highway 307, Provincial Highway 225, and other highways. It is approximately 25 kilometers from the downtown of Bengbu, 30 kilometers and 120 kilometers from the railway station and airport of Hefei, respectively.

Bengbu Commercial and Residential Project covers a net land area of approximately 363,737 sq.m., which is estimated to consist of several phases, and is estimated to have a total GFA of approximately 962,222 sq.m. when fully completed. We entered into a master investment agreement with local governmental authorities for the project in 2014. As of June 30, 2015, we had obtained land-use rights certificates or entered into land grant contracts for all the properties in this project.

As of June 30, 2015, we had a residential area, a commercial center, a hotel and certain supporting buildings and facilities planned for future development at this project.

Jiamusi Trade Center

Jiamusi Trade Center is located in Jiamusi, the core city and transportation hub in eastern Heilongjiang Province. It is approximately 10 kilometers west of the Jiamusi municipal government offices, north of Youyi Road, which is the main urban road in the city, and one kilometer from the Hatong Freeway.

Jiamusi Trade Center is estimated to cover an estimated total site area of approximately 2,000,000 sq.m., and have an aggregate estimated GFA of approximately 3,000,000 sq.m, which is expected to be developed several in two phases. We entered into a master investment agreement with local governmental authorities for the project in 2014. As of June 30, 2015, we had entered into land grant contracts for a portion of Phase I encompassing a total site area of 160,457 sq.m. with a total GFA of 191,000 sq.m. upon completion of development. We expect to commence construction at the Jiamusi Trade Center in 2015.

As of June 30, 2015, we had wholesale trading markets, shopping malls, a hotel and certain supporting buildings and facilities planned for future development at this trade center project.

Liuzhou Trade Center, Taizhou Trade center and Panzhihua Trade Center

During the six months ended June 30, 2015, we entered into investment framework agreements with local government authorities regarding the Liuzhou Trade Center, Taizhou Trade Center and Panzhihua Trade Center. As of June 30, 2015, we had not yet obtained the land-use right certificates for any of these three projects.

Other Properties

Haode Yinzuo



Haode Yinzuo is a high-end residential, commercial and office building project in Ganzhou. We completed the construction of Haode Yinzuo in 2012. The completed Haode Yinzuo has a total site area of approximately 6,666 sq.m. and consists of two towers, one with 30 stories and the other with 32 stories, with a total GFA of approximately 57,240 sq.m. and a total saleable GFA of 48,650 sq.m. In terms of saleable GFA, approximately 43.0% of the units in Haode Yinzuo are residential, approximately 41.0% of the units are offices and approximately 16.0% of the units are commercial.

We commenced pre-sales of units in 2010, and began delivering units to our customers in 2012. As of June 30, 2015, we sold and delivered approximately 79.7% of the aggregate saleable GFA, or 38,779 sq.m. of the residential, office and commercial units of Haode Yinzuo. We currently occupy approximately 2,000 sq.m. of office space at Haode Yinzuo for our own use.

Our Development Process

We are primarily engaged in developing and operating large-scale trade centers in China for the wholesale and retail sales of a wide range of products, including hardware, electric tools, building materials, furniture and home furnishings, home electronics, apparel, and small goods. By focusing on developing trade centers in rapidly-growing third-and fourth-tier, and selected second-tier, cities, we seek to assist local governments in further stimulating the growth of local commerce, facilitating urbanization and, ultimately, upgrading and transforming cities. Although each project development is customized for the specific conditions of the location and designed in accordance with the requirements of the local authorities, the diagram below summarizes the major stages involved in developing and operating a project.



We have established various departments at the headquarters level to oversee and control the major steps of all of our project developments. We have also formed individual project companies to manage the day-to-day development and operational activities of individual trade centers. As part of our core ability to replicate our business model in different regions, all key decisions regarding a development project, including project assessment and site selection, land acquisitions and project planning and design, are primarily made at our headquarters. In addition, when we commence a new development project and after we establish the project company for the project, we generally dispatch a core team with extensive experience from a prior project to staff the new project company to ensure project developments are executed properly and our business model is executed consistently. In addition, this core team is supported by skilled managers and employees with relevant experience that we hire from other leading companies.

Through our past experience, we have set up a standard model to implement our project development process from site selection to project sales and marketing. Our management conveys our strategies and goals to various departments within our Group and our various project companies. Our

management oversees the operation of various departments as well as project companies to ensure that they operate efficiently. We also leverage our bargaining power by centralizing negotiations with suppliers and construction companies and facilitate the sharing and efficient use of resources and expertise among various projects in areas such as design, construction and sales and marketing.

Project Assessment and Site Selection

During the project assessment and site selection stage, our initial task is to set development targets based on our growth strategies and medium-to long-term plans. As part of this process, we closely examine the PRC regulatory and economic environment and the impact the government's macro-economic policies and development plans may have on economic growth and the real estate development industry. We consider development trends in different regions of China to form preliminary concepts of areas into which we would like to expand and the number of projects we would like to develop each year. We currently primarily focus on third- and fourth-tier cities in China and plan to enter selected second-tier cities in the future. The economies and consumption levels in these cities are growing quickly as they undergo rapid urbanization. Local governments in these cities have a pressing need to support such growth and perceive the construction of our trade centers as one of the means to promote this goal. Through this process, we are able to refine our strategies and goals to take advantage of opportunities in different regions of China.

Once we set development targets, we conduct feasibility studies on potential areas of expansion and consider potential risks, investment returns, and local economic and regulatory conditions. We also initiate discussions with various local governments so that we can understand how our projects can complement their needs.

After our high-level assessment of the conditions in various cities, we then send an assessment team, generally led by key members from our strategic planning department to visit a subset of those cities. For example, in 2014, we conducted site visits in 20 cities. Based on our needs, we may also engage professional market research firms to provide additional factual analysis and support, such as market analysis and feasibility research on potential markets.

After the strategic planning department, design department, finance department and sales and marketing department complete their research on various candidate cities, they submit reports to our investment committee, which is currently comprised of eleven members, including our executive directors and senior management team. The investment committee will review the written reports and, after further consultation with the involved departments and any external expert we may engage, make a decision as to which cities to develop projects in.

We actively look for suitable opportunities to develop trade center projects where we can leverage our strengths and achieve attractive rates of return. In particular, we seek to establish projects in cities that satisfy the following criteria:

- promising local and regional economic growth potential and the ability of the city to positively impact the economic growth of neighboring cities;
- potential for significant market demand for a large-scale trade center to further stimulate the growth of local commerce and consolidate disorganized trading activities into a single integrated platform;
- cities with relatively large, dense populations that are centrally located;
- availability of land sites with easy access to well-developed transportation networks in areas that are not saturated by similar projects; and
- ability to build a long-term cooperative relationships with local governments that understand our value proposition and can provide regulatory support for our development projects.

We prefer to select sites in suburban areas of cities with strong urbanization and economic growth prospects. These sites are generally within sufficient proximity of city centers to have access to ample local manufacturing, commercial and logistics support while being in areas where land can be obtained at

a reasonable cost. After we have identified a city in which we would like to develop our projects, we use the following criteria in assessing different potential project sites within that city:

- whether the site is, in terms of area and condition, suitable for large-scale, integrated commercial development, such as suburban area of cities with strong urbanization prospects;
- its position in the city's overall planning and long-term development plans;
- whether a proposed project on the site will help lift the economic, cultural and social development of the city and region to a higher level;
- whether the site is conveniently connected to the local transportation infrastructure;
- whether the site is supported by local manufacturing, trading and logistics industries;
- infrastructure and supporting facilities planned or provided by the local governments;
- the projected overall costs and expenses of a proposed project on the site; and
- zoning rules applicable to the site.

After we identify a city with land resources that satisfies our criteria, we hold further discussions with the local government, typically focusing on issues including the location and size of the land site, the general layout, major functions and constituent buildings of the proposed trade center, overall development investment and costs, financing options, proposed development timeline, and available government support such as government grants and construction of connecting and other infrastructure. These discussions guide the initial drafting of a master investment agreement. Occasionally we also enter into a non-binding circular of understanding with the local government to set out certain high-level plans regarding our proposed development plan, which generally will be superseded by the master investment agreement. Our strategic planning department, in consultation with other departments of the company, reviews the initial draft of the master investment agreement and seeks comments and suggestions from various other relevant regulatory authorities in the city to revise the draft. A finalized master investment agreement will be signed with the local government after all negotiations are concluded and an agreement with the local government is reached. We may also enter into supplemental agreements with local governments to provide for further detailed or clarified execution plans with regard to key clauses of the master investment agreement.

Land Acquisition

Under current PRC laws and regulations, land-use rights for the purposes of commercial use, entertainment and commodity residential properties in China must be granted by the government only through public tender, auction or listing-for-sale. When deciding who to grant land-use rights, the government will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal. For more information on the regulatory approvals needed to acquire land-use rights to our developments projects, see "Regulation—Land for Property Development."

The government authority generally establishes and announces the conditions for the public tender, auction or listing-for-sale of the land-use rights. After we participate in the process and if our bid is chosen, we will sign a land-use right grant agreement, which sets forth key terms and conditions of the grant of land-use rights. Generally, this land acquisition process takes between three to six months to complete.

Project Planning and Design

Our design department will begin to formulate a conceptual plan for our development project before we enter into the master investment agreement with local regulatory authorities. At this time, a suitable location will have already been designated. This plan typically sets forth the conceptual layout of the trade center project including the locations, size estimates and major functional areas and key constituent buildings, such as wholesale trading markets, residential and office buildings, hotels, shopping malls and exhibition centers. We believe our practice of forming an advanced conceptual plan

and presenting it to the local authorities in the early stages of our negotiations with them distinguishes us from our competitors. We believe that doing so allows the local authorities to better understand our design philosophy and how our detailed plan can urbanize and upgrade their cities.

Once we establish the conceptual plan and enter into the master investment agreement with the regulatory authorities regarding a new development project, our design team starts to formulate a master design plan which sets out detailed information regarding the development project covered by the master investment agreement. Our design department works closely with external design firms to formulate the master design plan which needs to be approved by the local authorities in charge of city planning.

As we proceed with the land acquisition process, our design department, with the support of external design firms, starts to formulate the detailed design of the particular portion of the development project to be covered by the parcel of lands we are acquiring. This detailed design sets out key architectural, landscape and external design elements of the project and is based on the master design plan which has been approved by the local regulatory authorities. Once the detailed design is approved by the regulatory authorities and we have obtained a construction work planning permit, our construction management department (with the support of the design department) will proceed to work with external architecture firms to formulate detailed construction drawings that will guide the construction work at our trade center projects. Our design department will provide additional detailed designs as we continue to acquire additional land-use rights and execute our overall development plan based on our master investment agreement with the local authorities.

Generally, we consider the factors below in planning and designing our trade center projects:

- the positioning and functions of our trade center projects and potential needs of our prospective customers;
- the urban planning requirements and considerations of the local government authorities;
- the neighborhood and environment surrounding the site;
- the characteristics of the site, including its location, site area, geographic nature, existing conditions and structures;
- the advice provided by our professional advisors, including architects, planning experts and sales and marketing personnel;
- information we receive from the strategic planning department and sales department regarding our customers' needs; and
- the costs of the different project designs.

The design department is responsible for selecting the architects and design firms we engage. We generally engage reputable design institutes in China with rich experience in designing large-scale trade center projects, such as Hangzhou City Construction Design Institute Ltd. and Shenzhen Huasen Construction and Design Consultancy Ltd., to assist our project planning and design process. We also engage international design firms, such as WS Atkins plc, based on our project design needs. We typically use a tender process in selecting these architects and design firms and draw from a list we maintain of over 50 preferred architects and design firms. We request potential architects and design firms to provide a proposal with a fee quote. In making our decision, we consider their proposed design concepts, their reputation for reliability and quality as well as our previous experience working with them and the price of their proposed services. The design department continually monitors the progress and quality of the appointed design firms to ensure that they meet our specifications.

Project Construction

We develop and manage our projects through our construction management department at our headquarters and also through the individual construction management departments of our project companies. The construction management department at our headquarters makes strategic determinations and sets strategic parameters for our project construction process, including overall project construction planning and periodic targets, scope and size of construction work, selection of key construction

contractors and pricing and the procurement of key raw materials and equipment. Construction management departments at the project company level oversee the day-to-day construction process of their respective projects. The construction management department at our headquarters coordinates with various project companies on an on-going basis through various progress meeting and reporting mechanisms.

Selection of Construction Companies

We engage third-party construction companies for site preparation, project construction, equipment installation, engineering and interior work. We generally select construction companies through a tender process and request potential construction companies to provide a proposal with a fee quote. We currently maintain a database of more than 500 construction companies as our qualified construction contractors. As of June 30, 2015, we engaged more than 20 construction contractors, with which we have been working for a period ranging from one to four years. We consider the construction companies' track record, professional qualifications, past performance, reputation for reliability, quality and safety, references, technical sophistication, proposed delivery schedule and cost in our selection process. We seek to achieve high quality in the construction process while maintaining our construction costs at a reasonable level.

The construction companies we have engaged carry a minimum Second Grade certification from Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD") (中華人民共和國住房和城鄉建設部), and hold all the necessary licenses and permits. To ensure that our projects are constructed by quality construction companies only, our construction contracts prohibit assignments without our consent. Our construction management department, both at headquarters and project company levels, continues to review the qualifications and performance of the construction companies on an on-going basis throughout the course of the construction process. The review criteria include construction quality, satisfactory construction in line with specifications, safety record, compliance with laws and regulations, and site management, among others.

Construction Contract Terms

The principal terms of the agreements with our construction contractors include the scope of work, a timetable for construction, fees and payment terms. In addition, our agreements with construction companies typically contain warranties for quality and requirements for timely completion of the construction process. Our construction agreements typically provide for payments based on construction progress until a specified maximum percentage of the total contract price is paid. We typically do not make any pre-payments, but instead make payments according to the progress on a monthly basis. We review the construction progress and make payments, generally on a monthly basis, equal to a set percentage of the construction work completed in the previous month. Following governmental inspection and approval of the completed construction project, a payment of the remaining balance, up to 97% of the total amount, of the completed construction may be paid to the contractor. The remaining balance, which is withheld to cover any damages as a result of any construction defects, is typically paid, without interest, to the contractor approximately two years after the date of governmental inspection and approval. From time to time, we may also negotiate for more favorable payment terms with our construction contractors. For example, for our trade center projects in Mianyang and Yulin, our construction contractors have allowed us to start to make payments only after 70% of the construction work is completed. We generally have the contractual rights to terminate the construction contracts, with prior written notice, upon (i) mutual agreement, (ii) assignment or sub-contracting of the construction work without our prior consent, (iii) material breach of the construction contract resulting in impossibility of due performance or (iv) a force majeure event. We generally require construction companies we engage to purchase insurance to cover risks related to construction while they perform work on our construction sites.

Procurement

Key building construction materials, such as steel and concrete, are generally procured by the construction companies we engage and we typically designate the brands and quality requirements of these key construction materials as part of our construction agreement. The risk of price fluctuation for these materials is generally borne by these construction companies so long as the increase is less than 5% of the stated contract price. In the event the price exceeds 5%, we are responsible for paying the increase in price above 5% of the stated contract price. At the headquarters level, we negotiate and arrange the purchase of certain large equipment, such as elevators, escalators and air-conditioning systems by our project companies.

Project Monitoring and Quality Control

Time Control

To monitor construction progress, we develop a master construction plan for each project, which sets out the scope and timing of each construction milestone. We adopt varying time control and management methods during different periods of the construction process. During the ground construction period, our construction management department conducts regular meetings with construction companies, and our project team works closely with the construction companies we engage to ensure strict compliance with the schedule in the master construction plan. We closely monitor weather forecasts and make preparations in advance or adjustments to the construction progress accordingly. Once the ground construction is completed and the structural construction commences, we monitor the construction progress through weekly meetings. The master construction plan is adjusted in light of any delay reported by the construction contractors with a view to completing the overall project according to the original schedule. We strictly oversee the construction progress and require construction contractors to complete the construction work on a timely basis or be subject to fines. We have not experienced any material delay in the completion of property construction.

Quality Control

Quality control is crucial to the successful development of our trade centers and to meet the requirements of our target customers. We have taken a number of measures to ensure that the quality of our projects complies with applicable laws and regulations and meets market standards.

We maintain a list of approved design consultants, architects, construction companies and other suppliers to ensure that we use only those product and service providers with proven records. Our construction management department works closely with each project company to monitor the performance of the design consultants and construction companies who we engage to work on our projects. Within all our project companies, we have an aggregate of 34 employees who perform regular on-site quality audits and report poor workmanship, sub-standard materials or other irregularities to the construction management department. These employees are required to possess the qualification and industry experience generally required for such quality control function.

We employ strict procedures for selection, inspection and testing of equipment and materials. Each project company works with third-party product inspection companies to inspect equipment and materials to ensure compliance with contractual specifications before accepting the materials on-site and approving payment. We reject materials that are below our standards or that do not comply with our specifications.

Cost Control

For each project we prepare a master budget. The budget is first formed at the project company level by our cost-control team. This budget is then reviewed by the eight-member cost-control department at the headquarters level and then ultimately approved by our Board of Directors. These employees review and verify the costs incurred in detail and compare such costs with the master budget and with similar expenses incurred at our other projects. If the actual cost is likely to exceed the initially approved budget, prior approval from senior management must be obtained. Historically, we were not materially and adversely affected by any significant increase in cost of raw materials, equipment and construction contractors. We believe that we were able to reflect any additional payments made in this regard in the sale price of the relevant properties.

For a discussion of our historical and future sources of funding to support our business growth, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

Property Sales and Leases

Property Sales

After we receive a pre-sale permit from the governmental authorities, but generally before signing a sales contract, we require prospective purchasers to pay a deposit ranging from RMB50,000 to RMB200,000 to secure the property they have selected. After we receive the deposit, generally within a period of one to three months, we execute a sales contract with our customers. Such deposit is typically included as part of the down payment made by our customers when they sign the sales contract with us. Our sales contracts typically set out customary sales terms, such as specific information of the subject property, sales price, payment arrangement, delivery plan and default provisions.

Our customers generally elect to pay for their properties through a single lump-sum payment, installments without a mortgage loan or installments with a mortgage loan. If customers pay in a single lump sum, we normally require settlement upon or within one month after the signing of the sales contract. If customers pay in installments without utilizing a mortgage loan, we generally require them to pay 50% of the purchase price as a down payment upon signing of the sales contract and pay the remaining amount before or upon the delivery of the property. If customers pay in installments and also utilize a mortgage loan, we generally require them to pay 50% of the purchase price as a down payment upon signing of the sales contract and the remaining amount when the mortgage loan is drawn down. We generally deliver property to the customer after the remaining purchase price is fully settled through the mortgage loan.

A number of our customers purchase our properties through the use of mortgage loans. In line with the general practice in the property industry in China, we provide guarantees to commercial banks in respect to the mortgage loans provided to the purchasers of our properties from the time of the drawdown up until the property is duly mortgaged with the bank. As part of our guarantee arrangement with commercial banks in China, we are generally required to place a deposit equaling 2-10% of the total loan facility made available with the commercial bank as a security for our guarantee obligation. As of the Latest Practicable Date, we had not experienced any defaults by property purchasers of their obligations under the bank loans that would trigger our obligation to the bank under guarantees we provided. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contingent Liabilities.”

We endeavor to deliver our properties to our customers on a timely basis. We closely monitor the progress of construction of our property projects as well as conduct pre-delivery property inspections to ensure on-time delivery. Once the construction has met all the requirements of sales agreement, we deliver the completed properties and help to obtain property ownership certificates which are required under the sales contracts to customers.

Property Leases

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we derived insignificant amounts of turnover from rental income, which amounted to RMB0.4 million, RMB0.7 million, RMB6.7 million (US\$1.1 million) and RMB10.7 million (US\$1.7 million), respectively. As our current development projects enter later phases of development, typically three to five years after the commencement of development, we plan to retain a proportion of trade center properties as investment properties for long-term recurring income and capital appreciation. These properties may include units of wholesale trading markets, shopping malls, office buildings and exhibition and conference centers for leasing as well as serviced apartments and hotels that we may retain for investment purposes. As of June 30, 2015, we had an aggregate of 123,337 sq.m. of properties designated as investment property.

Suppliers and Customers

Our principal suppliers are construction companies that we engage to construct our trade center projects. For the years ended December 31, 2012, 2013 and 2014, purchases attributable to our single largest construction contractor accounted for approximately 66.0%, 14.0% and 10.1%, respectively, of our total purchase. For the same periods, purchases attributable to our five largest construction contractors accounted for approximately 91.2%, 45.0% and 30.6%, respectively, of our total purchases.

Our principal customers are purchasers and tenants of our trade center products. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, turnover derived from our single largest customer as well as the five largest customers of the Group accounted for less than 30% of our total turnover.

Property Management

We provide management services for our trade centers through property management subsidiaries at project company levels. Our property management services include, among other things, security, cleaning, repair and maintenance of equipment and facilities and other supporting facilities. We generally charge our customers a pre-determined monthly fee based on the GFA of the properties they own or rent for our property management services. We are responsible for establishing property management procedures and preparing maintenance and renovation plans with respect to our shopping centers and public facilities.

We also make available a range of on-site services at our trade centers through our property sales and lease arrangements with service providers in China, such as commercial banks, telecommunications companies, catering service providers and logistic companies. As we continue to grow our business, we expect to further ramp-up our property management services operations and expand the scope of property management services to our customers. We also expect to provide property management services to hotels at our trade center projects.

Competition

The trade center industry is highly competitive and fragmented. The majority of trade center developers are local players with limited operating scale and track records, reflecting the unique historical development of the trade center industry in China. The earliest developers and operators who entered into this market in China were predominately entities affiliated with local governments. They mostly focused on developing a limited number of projects, mostly small in scale, in the local region. Over time, these markets gradually formed market clusters that subsequently fell under the administration, and sometimes the operation, of local governments. However, operators of these trade centers generally do not build new trade centers in additional cities or different regions. As a result, very few developers in the trade center industry in China have either regional or national reach. Currently there are a small number of established trade center developers that build multiple large-scale trade centers in diverse regions across China.

As a leading large-scale trade center developer and operator in China, our national footprint positions us as a major national player facing direct competition from other established national trade center developers as well as from smaller regional developers. Our trade center projects in third-and fourth-tier cities are generally built on a vast scale. We believe this reflects the limited market capacity of these cities to support multiple large-scale trade centers as well as the limited capacity of our local competitors to offer trade center products with a similar scale. However, we face competition at both a national and a local level. We believe that our current main competitors on a national level include various large-scale trade center developers and operators that operate multiple large-scale trade centers in China. See “Industry Overview—Competitive Landscape.” On a local level, although we currently have the largest trade center in every city we operate, we face a number of smaller competitors.

We believe that the major competitive factors in this industry include the geographic location, management expertise, financing, access to transportation infrastructure, government support, size of land reserves and land bank, scale of the trade center development project, number and type of industry sectors featured, number and quality of supporting services and facilities, brand recognition by customers, customer services and support, creditworthiness, price and design quality. There’s no assurance that we will be able to continue competing effectively in our industry. See “Risk Factors—Risks Relating to Our Business and Industry—We face competition from other commercial property developers in China for land and customers.”

For large-scale trade centers, barriers to entry are high and competition is increasingly intense in China in light of the regulatory trend to support urbanization and trade center development. Developers and operators now compete on a number of factors, including, brand and reputation, development expertise, knowledge of the local economic environment, ability to acquire quality land and obtain favorable regulatory support, funding and financing, among others.

Properties for Our Own Use

As of June 30, 2015, we leased office space with a total GFA of approximately 4,756 sq.m. in Shenzhen as office facilities for our headquarters. We also lease office space with an aggregate GFA of approximately 560 sq.m. at the project company level in Jinan Bright ocean Business Management Company Limited, and office space with a GFA of approximately 200 sq.m. in Hong Kong. We occupied approximately 2,000 sq.m. of office space at Haode Yinzuo.

Insurance

We carry employer's liability to pay pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance as required by PRC laws. We also maintain insurance policies covering property damage due to natural hazards and general liability under property risk insurance, construction all risk insurance and public liability insurance. We do not, however, maintain property damage or third-party liability insurance on our workplace or trade center developments projects, as we generally require our construction contractors to carry such insurance as part of our arrangement with them. We also carry automobile insurance covering collision damage and various types of liability for our vehicles.

We believe our insurance practice is in line with the customary practice in the PRC real estate industry. We closely monitor the quality and safety measures adopted on our construction sites with the construction companies to lower the risks of damage to our property and liabilities that may be attributable to us. See "Risk Factors—Risks Relating to Our Business and Industry—We have limited insurance to cover our potential losses and claims."

Employees

We had 1,297, 2,000, 2,391 and 2,346 employees as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. We actively recruit skilled and qualified personnel in Chinese local markets, including students newly graduated from universities as well as employees with relevant working experience. For senior management team and selected management positions, we may also seek to recruit personnel with international experience. The remuneration package of our employees includes salary, bonuses and other cash subsidies. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determinations on salary raises, bonuses and promotion. We are subject to social insurance contribution plans organized by PRC local governments. In accordance with national and local labor and social welfare laws and regulations, we are required to pay, monthly social insurance premiums covering pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing reserve funds. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

Environmental and Safety Matters

We are subject to PRC environmental protection laws and regulations. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. We are required to engage qualified agencies to conduct a comprehensive environmental assessment on each of our projects and to submit our environmental impact study reports to the government for approval. The PRC government will not grant us a construction permit with respect to any property project absent an acceptable environmental impact study report. We are committed to complying with these environmental protection laws and regulations. We also actively participate in the environmental assessment process and fully cooperate with accredited environmental assessment organizations.

We have taken certain measures to reduce pollution and comply with applicable environmental laws and regulations. These include energy-saving policies that reduce our electricity consumption, the implementation of a rain and sewage diversion system in certain trade centers, smoke filtering systems in the kitchens of our cafeterias and restaurants and in our backup generators, the installation of sound insulation in our backup generators and cooling machines, and the use of solar-powered water heaters. We encourage our construction contractors to use equipment and facilities and to adopt or develop new technologies in order to reduce the impact of our projects on the environment. In this regard, we have attempted to design our trade centers to reduce their impact on the environment and reduce energy costs. Upon completion of each property project, the local government authorities will also inspect the property site to ensure that we have complied with the applicable environmental protection standards.

Under PRC laws and regulations, most of the potential liabilities to the workers and visitors of our construction sites rest with the construction companies we engage. 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 (建築施工現場環境與衛生標準), a contractor is required to adopt effective occupational injury 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 environmental and safety laws and regulations by us or the construction companies we have engaged from 2012 to June 30, 2015. During the same period, we did not have any environmental or safety accidents at our development projects. As of the Latest Practicable Date, we were not aware of any material claim for personal or property damage in relation to environmental or safety accidents.

Compliance and Legal Proceedings

We have implemented the following control measures to prevent further instances of non-compliance:

- our management team has included the appropriate procedures for handling potential non-compliance in our employee training materials and handbook, and we are conducting periodic training on legal and regulatory compliance with our employees;
- we have increased the size of our legal department and hired an additional seven personnel for our legal department at the group and subsidiary levels;
- we have maintained a database that includes all key information of material licenses, permits, approvals and certificates held or required by the Group, the conditions attaching to such licenses, permits, approvals and certificates and the various times by which such conditions are to be fulfilled;
- we strictly require our project companies to closely monitor the issuance of the necessary licenses, permits, approvals and certificates for each project and to bring to the attention of the Board any matter in which the project company does not anticipate being able to receive a necessary license, permit, approval or certificate in a timely manner. Head of project companies report directly to our senior management team and are held responsible for supervising the compliance matters in the local area;
- we have introduced a policy to retain external compliance counsel to advise us on daily operations. We also have a policy to retain special counsel for major transactions based on our operating needs; and
- we conduct periodic reviews of our control system to ensure that we maintain an effective control system.

As of the date of this offering circular, (i) each of our subsidiaries in the PRC engaging in property development business holds valid qualifications required by the PRC laws, and (ii) each of our development project held by such subsidiaries are in compliance with the applicable construction scope and size restrictions. Further, (i) we did not have any material non-compliance with relevant laws, rules and regulations, (ii) none of us or any of our subsidiaries were involved in any litigation, arbitration or claim of material importance, and (iii) we had duly obtained or applied for renewal of all material and requisite licenses and permits to conduct our business as described in this section, including the license to conduct property development business in China (namely the Qualification Certificate for Property Development Enterprise or the Interim Qualification Certificate for Property Development Enterprise). Based on our directors and management team's evaluation of such enhanced internal control measures as well as our current status in terms of complying with PRC laws and regulations, we believe that such enhanced measures are adequate and effective.

REGULATION

Summary of Principal PRC Legal and Regulatory Provisions

Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to our operations and business. These include laws and regulations relating to:

- Establishment of a Real Estate Development Enterprise
- Qualification of a Real Estate Developer
- Land for Property Development
- Sale of Commodity Properties
- Transfer of Real Estate
- Mortgages of Real Estate
- Real Estate Management
- Measures on Stabilizing Property Prices
- PRC Taxation
- Foreign Currency Exchange
- Labor Protection

Establishment of a Real Estate Development Enterprise

According to the Law on Administration of Urban Real Estate of the People's Republic of China (the "Urban Real Estate Law") (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People's Congress, effective on January 1, 1995, as amended on August 30, 2007 and August 27, 2009, a real estate developer is defined as an enterprise which engages in the development and operation of real estate for the purpose of making profits. Under the Regulation on Administration of Development of Urban Real Estate (the "Development Regulation") (城市房地產開發經營管理條例) promulgated by the State Council on July 20, 1998, as amended on January 8, 2011, an enterprise which is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate. The authorities at the provincial level, autonomous region level or municipalities under the direct administration of the central PRC government may impose more stringent requirements regarding the registered capital and professional qualifications of real estate enterprises.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalog of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) promulgated by MOFCOM and National Development and Reform Commission of the PRC ("NDRC")

on March 10, 2015, the construction of villa falls within the category of industries in which foreign investment is prohibited and other real estate development falls within the category of industries in which foreign investment is permitted.

Subject to approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and operation of real estate may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise in accordance with the PRC laws and administrative regulations regarding foreign invested enterprise.

Under the Notice on Adjusting the Proportion of Capital Fund for Fixed Assets Investment Projects of Certain Industries (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the proportion of capital fund of real estate development projects (excluding affordable housing projects) has been increased from 20% or above to 35% or above.

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued the Notice for Adjusting the Proportion of Capital Fund for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009. Under the notice, the minimum capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the minimum capital ratio for other real estate development projects is adjusted from 35% to 30%. On September 9, 2015, the State Council promulgated the Notice on Adjusting and Improving the Capital Fund Principle for Fixed Assets Investment (關於調整和完善固定資產投資項目資本金制度的通知), according to which the minimum capital ratio for other real estate development projects is adjusted from 30% to 25%.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, State Administration for Industry & Commerce of the PRC (“SAIC”) and SAFE promulgated the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於規範房地產市場外資准入和管理的意見) (the “171 document”).

According to the Opinions, a foreign investor must comply with the following requirements in order to invest in the real estate market in China:

- A foreign entity or individual purchasing real estate in China other than for self-use shall, subject to the principle of commercial existence, apply for the establishment of a foreign-invested enterprise pursuant to the regulations relevant to foreign investment in real estate, and conduct relevant operations within the authorized business scope after obtaining approvals from the relevant government authorities and upon completion of the relevant registrations.
- If the total investment amount of a foreign-invested real estate development enterprise exceeds or equals to US\$10 million, the registered capital shall not be less than 50% of the total investment amount of the enterprise. If the total investment amount is less than US\$10 million, the current rules on registered capital shall apply.
- A transfer of projects of or shares in a foreign-invested real estate development enterprise, and the acquisition of a domestic real estate development enterprise by foreign investors shall be approved by the commerce authorities in strict compliance with the relevant laws, regulations and policies. The investor should submit: (a) a letter of guarantee pledging to abide by the land grant contract, the construction land planning permit and the construction work planning permit; (b) the land-use rights certificate; (c) the certification of a change of registration issued by the relevant construction administration authorities; and (d) the certification of tax payment issued by the relevant tax authorities.
- Foreign investors acquiring a domestic real estate enterprise by way of equity transfer or other means, or acquiring domestic investors’ equity interest in an equity joint venture, shall make proper arrangements for the real estate enterprise’s employees and bank loan repayment. The foreign investors shall pay the transfer price in a lump sum and with their own capital. Foreign investors with unfavorable records are prohibited from involvement in such real estate activities in China.

On August 14, 2006, the General Office of MOFCOM issued a Notice on the Implementation of the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知).

The notice requires that, the registered capital of a FIREE shall not be less than 50% of its total investment if its total investment exceeds US\$3.0 million, and the registered capital of a FIREE shall not be less than 70% of its total investment if its total investment is US\$3.0 million or less.

On August 19, 2015, the Ministry of Housing and Urban-Rural Development, MOFCOM, NDRC, PBOC, SAIC and SAFE promulgated the Notice on Adjusting the Policies Concerning the Entry and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知), to adjust certain policies in 171 document, including:

- The ratio of registered capital to total investment of foreign-invested real estate enterprises should be governed by the relevant provisions of the Interim Provisions of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定);
- The requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for onshore or offshore loans or foreign exchange settlement for foreign debt is cancelled;
- The foreign-invested real estate enterprises may process relevant foreign exchange registration for foreign direct investment directly with the banks.

On September 1, 2006, SAFE and the Ministry of Construction promulgated the Notice on Regulating the Administration of Foreign Exchange in Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), which sets forth the specific regulations regarding to the procedure of purchasing real estate by foreign enterprises and individuals. The notice further requests that where a FIREE fails to pay the registered capital in full amount or fails to acquire a land-use rights certificate or to make its project development capital reach 35% of the total investments of the project, it shall not borrow any foreign debt, and the foreign exchange bureau shall not accept the registration of its foreign debt or approve the conversion of foreign debt into RMB. On May 4, 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Abolishing and Revising Regulatory Documents Relating to Reform of Registered Capital Registration System (國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知), which amended the aforesaid notice to cancel the requirement on full payment of the registered capital by a FIREE to borrow foreign debt.

When a foreign enterprise or individual merges a domestic real estate enterprise by way of equity transfer or by any other means or takes over the equity shares from the Chinese shareholder in a joint venture, if it/he fails to pay the transfer price in a lump sum with its/his own fund, the foreign exchange bureau shall not accept the registration or change registration of its/his foreign exchange.

On May 23, 2007, MOFCOM and SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (the "No. 50 Notice") (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). Under the Notice, local commercial authorities should reinforce the approval and supervision process over foreign investment in real estate enterprises, and strictly control foreign fund from investing in high quality real estate development projects. For establishment of a foreign invested real estate enterprise, land-use rights, house or other construction ownership right should be obtained, or at least has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the establishment will not be approved by the authorities. For existing foreign invested company who intends to engage in real estate development or operation business or intends to engage in the operation or development of new real estate projects, they should undertake relevant procedures to expand business scope or enlarge the operation scale with the approval authority.

No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of round trip investment (includes the same de facto controller). It also prohibits Chinese or foreign investors in foreign-invested real estate joint ventures to reach any fixed return related term, or any term to the same effect, for either party.

The local MOFCOM administrative authority should make a record to MOFCOM after a foreign-invested real estate company is approved to establish. The local SAFE administrative authority

and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for capital projects of FIREEs who fail to complete the record with the MOFCOM or to pass the annual review. On October 28, 2015, MOFCOM issued the Decision on Modifying Certain Regulations and Regulatory Documents (關於修改部分規章和規範性文件的決定), according to which pass of the annual review will no longer be required to conduct foreign exchange purchase and settlement process for capital projects of FIREEs.

SAFE issued the Circular Regarding the Publication of the List of the First Batch of Foreign-Invested Property Development Projects that Have Filed with MOFCOM (“Circular No. 130”) (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) on July 10, 2007, further regulating foreign investment in real estate sector in China. According to Circular No. 130, on or after June 1, 2007, real estate enterprises with foreign investment as filed with MOFCOM (including due to establishment and capital increase) will not be permitted to borrow money from overseas, including shareholder loans and foreign commercial loans, or will not be approved to settle foreign exchange of foreign debt. Further, for those which obtain foreign investment approval certificates on or after June 1, 2007 but fail to file with MOFCOM, neither foreign exchange registration nor foreign exchange alteration registration will be effected with SAFE or its branches, and as a result, foreign exchange under capital projects will not be settled or purchased.

The Circular No. 130 was abolished on May 13, 2013 by the Notice on Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知) (“Notice No. 21”) which was promulgated by SAFE on May 10, 2013. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the Circular No. 130 have been reflected in the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) (“Notice No. 19”) issued by SAFE on April 28, 2013.

On June 18, 2008, MOFCOM issued the Circular on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (關於做好外商投資房地產業備案工作的通知) (“Circular No. 23”). According to Circular No. 23, MOFCOM entrusts provincial MOFCOM departments to verify materials on records of FIREEs. Circular No. 23 requires that the establishment (including the increase of registered capital) of a FIREE shall comply with the project company principle of engaging in one approved real estate project only.

On November 22, 2010, the General Office of MOFCOM issued the Notice on Strengthening Management to Registration of Foreign Investment in the Real Estate Sector (關於加強外商投資房地產業審批備案管理的通知). Foreign invested real estate enterprises shall not generate revenues through purchasing and selling completed real estate properties and/or real estate properties under construction. Local commerce administration authorities shall not accept registration of investment companies involving development and management of real estate.

On June 24, 2014, MOFCOM and SAFE jointly issued the Circular Regarding the Improvement of Registration of Foreign-Invested Real Estate Industry (關於改進外商投資房地產備案工作的通知), which adopts an electronic registration system to simplify the registration process and emphasizes the post-registration governance.

On November 6, 2015, MOFCOM and SAFE jointly issued the Circular Regarding the Further Improvement of Filing of Foreign Investment in the Real Estate Industry (關於進一步改進外商投資房地產備案工作的通知), which cancels website announcement procedure on the FIRREs filing with the MOFCOM and emphasizes the post-registration governance.

Qualifications of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (the “Provisions on Administration of Qualifications”) (房地產開發企業資質管理規定) promulgated by the Ministry of Construction on March 29, 2000 and amended on May 4, 2015, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

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

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

Pursuant to the Provisions on the Administration of Qualifications, the qualifications of each class of real estate developments are as follows:

- ***Class 1 qualification:*** (1) over five years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 300,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for five consecutive years; (4) GFA of over 150,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 40 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 20 persons and there shall be no less than four accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality.
- ***Class 2 qualification:*** (1) over three years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 150,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for three consecutive years; (4) GFA of over 100,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 20 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 10 persons and there shall be no less than three accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality.
- ***Class 3 qualification:*** (1) over two years of operating experience in real estate development is required; (2) the cumulative GFA completed shall be not less than 50,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for two consecutive years; (4) the professional management team shall consist of no less than 10 persons with titles and majoring in architecture, construction, finance, real estate and economics, and the number

of management staff with professional titles of intermediate level or above shall be no less than five persons and there shall be no less than two accountants holding professional qualification certificates; (5) the person-in-charge of, among others, engineering technology and finance shall hold professional titles of the intermediate level or above and the person in charge of other departments, including statistics, shall hold professional titles of the primary level or above; (6) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (7) there shall not be any occurrence of any major accident relating to construction quality.

- **Class 4 qualification:** (1) over one year of operating experience in real estate development is required; (2) the passing rate of quality of construction work completed shall be 100%; (3) the professional management team shall consist of no less than five persons with titles and majoring in architecture, construction, finance, real estate and economics, and there shall be no less than two accountants holding professional qualification certificates; (4) the person-in-charge of engineering technology shall hold professional titles of the intermediate level or above and the person-in-charge for finance shall hold professional titles of the primary level or above, and professional statistician(s) shall be appointed; (5) in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (6) there shall not be any occurrence of any major accident relating to construction quality.

In addition, pursuant to the Provisions on Administration of Qualifications, a newly-established real estate developer shall make application with the competent authorities for an interim qualification certificate within 30 days from the date of the business license. A developer applying for an interim qualification certificate shall fulfill the requirements of class 4 qualification or above. The validity period of the certificate is one year. Regulatory authorities of real estate development may extend the validity of the interim qualification certificate depending on the operation of the developer, provided that the extension shall not exceed two years. In the event that no development project has been carried out within one year since the issuance date of the interim qualification certificate, the validity of the interim qualification certificate shall not be extended.

No entity or individual may alter, lease, lend, transfer or sell its/his qualification certificate. In case of merger, division or any change of name, legal representative or main personnel in charge of management and technologies, enterprises shall re-apply for qualification grade or apply for change formalities with the original examination and approval authorities.

The qualification of a property developer should be subject to annual inspection. The Ministry of Construction or its entrusted institution is responsible for carrying out the annual inspection of real estate developers with Class 1 qualification. The construction authorities at the provincial level formulate annual inspection measures for real estate developers with Class 2 or lower qualifications.

Development of a Real Estate Project

In October 2004, the NDRC issued the Interim Provisions on Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法), according to which, approval of the NDRC or its branches shall be required for foreign investment projects. On May 17, 2014, the NDRC issued the Administrative Measures for Approval and Record-filing of Foreign Investment Projects (外商投資項目核准和備案管理辦法), which supersedes the Interim Provisions on Approving Foreign Investment Projects.

According to the Administrative Measures for Approval and Record-filing of Foreign Investment Projects and the Notice of the State Council on Promulgating the Catalog of Investment Projects Approved by the Government (2014 Version) (the “Catalog”) (國務院關於發佈政府核准的投資項目目錄(2014本)的通知), which was promulgated and effective on October 31, 2014, two methods are developed for the management of foreign investment projects, namely, approval and record-filing; the investment projects specified in the Catalog shall be approved by the NDRC or other competent authorities; the foreign investment projects other than those specified in the Catalog shall be filed with the competent investment department of the local governments.

According to the Notice on Decentralizing the Examination and Approval Authority for Foreign Investment (關於下放外商投資審批權限有關問題的通知), promulgated by of the MOFCOM on June

10, 2010, the formation and change of foreign investment enterprises with a total investment less than US\$300 million for encouraged and permitted projects or US\$50 million for restricted projects in the Catalog shall be subject to the examination, approval and management of the provincial MOFCOM counterparts.

Under the Interim Regulation Concerning the Grant and Assignment of the Right to Use State-owned Urban Land (the “Interim Regulation on Grant and Assignment”) (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council on May 19, 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Urban Real Estate Law and the Interim Regulation on Grant and Assignment, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land-use rights certificate which evidences the acquisition of land use rights. The Urban Real Estate Law and the Development Regulation provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Land (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources on March 2, 1999, as amended on November 30, 2010, and the Measures for Administration of Preliminary Examination of Construction Project Land (建設項目用地預審管理辦法) promulgated by the Ministry of Land and Resources in July 2001, as amended in October 2004 and November 2008. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land grant contract with the land user and issue an approval for the construction land to the construction entity or the developer.

According to the Urban Real Estate Law, a land user who obtains land use rights under the grant system must develop the land according to the land usage as indicated in the land grant contract and must commence the development within the time frame agreed to under the land grant contract.

According to the Regulation on Idle Land Administration (閒置土地處置辦法) promulgated by the Ministry of Land and Resources on April 28, 1999, as amended on June 1, 2012, it shall be idle land which the land user fails to commence developing after one year from the construction commencement date stipulated in the state-owned construction land grant contract or in the approval of premium-free allocation. The land may also be treated as idle land and may be subject to land idle fee or forfeiture, if the developed land area is less than one-third of the total land area under the land grant contract or the sum already expended on the development of the land is less than one-fourth of the total investment of the project, and the suspension of development of the land has lasted for one year or more.

According to the Regulation on Idle Land Administration, if the land user fails to commence developing the land after one year from the construction commencement date, then the local land administration authority, with approval by the local government, shall charge the land user a “land idle fee” of 20% of the land premium, which is not permitted to be disbursed from the cost. If the land user fails to commence development of the relevant land after two years from the deadline, with approval by the local government, the land user’s land-use rights shall be forfeited by local land administration authority without compensation. However, the foresaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions. Where the land user reserves or speculates lands on purpose by violating laws or regulations, or breaching contractual obligations or land allotment letter, the local land administration authority shall not accept its new land-use application or registration of transfer, lease, charge and change of its idle land. Relevant local land-use administration departments shall inform finance administration departments of the information of idle land.

On January 3, 2008, the State Council issued a Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知), which urges the full and effective use of existing construction land. The notice also emphasizes the strict enforcement of the current rules on idle land. If a piece of land has been idled for two years or more, it must be taken back free of charge in accordance with laws and regulations, and rearranged for any other uses; if the land does not meet the statutory conditions for being taken back, it must be timely dealt with and fully used through changing usage, replacement by parity value, temporary usage or incorporation into government reserves. If a piece of land has been idled for one year or more but less than two years, an idle land fee must be collected at a price of 20% of the transfer or allotment price. Financial institutions shall not grant loans to illegal land-use projects and such projects shall not be approved for public listing.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction on December 4, 1992, as amended on January 26, 2011, and the Notice on Strengthening the Planning Administration of the Assignment of the Right to Use State-owned Land (關於加強國有土地使用權出讓規劃管理工作的通知) promulgated by the Ministry of Construction on December 26, 2002, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the National People's Congress on October 28, 2007, effective from January 1, 2008, and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority. According to the Law of the People's Republic of China on Urban and Rural Planning, a construction entity shall return the land or compensate relevant parties if it gets the approval of land-use right without a permit for construction works planning. Such land-use right approval shall be forfeited by the relevant authority. If a construction entity starts a project construction without obtaining a planning permit or violates the provisions of the planning permit, it will be punished by local planning administration authorities by way of stopping construction, imposing a fine based on construction costs or removing the completed construction.

According to the Regulation on the Expropriation of Buildings on State-owned Land and Compensation (國有土地上房屋徵收與補償條例), promulgated by the State Council on January 21, 2011, local government shall decide expropriation of buildings based on public interests. Construction entities shall be prohibited from participating in relocation activities.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction on October 15, 1999, as amended on July 4, 2001. The Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development in June 2014, supersedes the Measures on Construction Permission and has the similar requirements.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), which sets out the respective quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies and construction supervision companies. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Development Regulation and the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the Ministry of Construction on June 30, 2000. The Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, supersedes the Acceptance Examination Measures and has the similar requirements. The developer must also report details of the acceptance examination according to the Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings

and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction on April 4, 2000, as amended on October 19, 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each completed phase.

There are several laws and regulations regulating environment protection in the real estate industry in the PRC, including Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法), Law of the People's Republic of China on Appraising of Environment Impacts (中華人民共和國環境影響評價法), Regulation of Environment Protection in Construction Projects (建設項目環境保護管理條例), Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China (中華人民共和國固體廢物污染環境防治法) and Decision of the State Council on Several Issues Concerning Environmental Protection (國務院關於環境保護若干問題的決定). According to such laws and regulations, a real estate developer shall submit a report of environmental impacts before receiving approval from relevant authority to start the construction. A construction enterprise shall, upon completion of a construction project, file an application with the competent department of environmental protection administration for acceptance checks on completion of matching construction of environmental protection facilities required for the construction project.

There are several laws and regulations in the PRC regarding to the civil air defense project construction, including Law of the People's Republic of China on National Defense (中華人民共和國國防法), Civil Air Defense Law of the People's Republic of China (中華人民共和國人民防空法), Property Law of the People's Republic of China (中華人民共和國物權法) and Measures of the Development and Utilization of Civil Air Defense Construction during the peacetime (人民防空工程平時開發利用管理辦法). According to such laws and regulations, basements that will be used for air defense in time of war shall be constructed in new buildings of cities for civil use. If any construction project cannot have basements due to any geological reason, fees for substitute site construction shall be paid. Investors of air defense construction shall be entitle to any benefits generated from its usage and shall manage such construction in the peacetime. Civil use of air defense construction shall be registered in relevant air defense authority.

Several laws and regulations specific fire protection in real estate development, including Fire Protection Law of the People's Republic of China (中華人民共和國消防法) and Provisions of Supervision and Management of Fire Protection Construction (建設工程消防監督管理規定). According to such laws and regulations, a real estate project shall get approval from or filing with relevant public security and fire protection authorities for fire protection design before the construction is started and subject to a fire protection as-built acceptance inspection.

Land for Property Development

In April 1988, the National People's Congress amended the Constitution of the People's Republic of China (中華人民共和國憲法) to permit the transfer of land-use rights for value. And in December 1988, the Standing Committee of the National People's Congress amended the Land Administration Law (中華人民共和國土地管理法) to permit the transfer of land-use rights for value.

On May 19, 1990, the State Council issued the Interim Regulation on Grant and Assignment of Right to the Use of State-owned land in Urban Areas (城鎮國有土地使用權出讓和轉讓暫行條例), which prescribes different maximum terms of granted land-use rights for different uses of land as follows: (i) land for commerce, tourism and entertainment: 40 years; (ii) land for residence: 70 years; (iii) land for industry: 50 years; (iv) land for education, science, technology, culture, public health and sports: 50 years; and (v) land for comprehensive utilization or other purposes: 50 years. The State may not resume possession of lawfully granted land-use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. Subject to compliance with the terms of the land grant contract, a holder of land-use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease. Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land bureau for issuance of the land-use rights certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land-use rights and payment

of a new land grant fee. If the term of the grant is not renewed, the land-use rights and ownership of any buildings on the land will revert to the State without compensation.

Individuals and entities may acquire land-use rights in different ways, two of which are most important, i.e. land transfers from land users who have already obtained land-use rights and land grants from local land authorities.

Real estate development companies may acquire land-use rights from land users that have already obtained the land-use rights by entering into a land assignment contract or by way of capital contribution. Under the Land Administration Law, any change to be lawfully made in land-use rights shall be registered.

As to the land grants, on May 9, 2002, the Ministry of Land and Resources promulgated the Rules Regarding the Grant of State-Owned Construction Land-Use Rights By Way of Tender, Auction and Listing-For-Sale (the "Rules") (招標拍賣掛牌出讓國有建設用地使用權規定), which was implemented on July 1, 2002 and was amended on September 28, 2007. Pursuant to the Rules, all land for commercial use, tourism, entertainment and commodity residential housing must be granted by way of tender, auction or listing for sale.

On September 24, 2003, the Ministry of Land and Resources promulgated the Notice on Strengthening the Land Supply Management and Facilitating the Continuous and Healthy Development of Property Market (關於加強土地供應管理促進房地產市場持續健康發展的通知), as amended on December 3, 2010, which provides that land supply for luxury commodity housing shall be strictly controlled.

According to the Opinions on Certain Issues Relating to Voluntary Examination and Rectifying of Land Market (關於進一步治理整頓土地市場秩序中自查自糾若干問題的處理意見) promulgated by Ministry of Land and Resources on October 13, 2003, land must be restored to its original use if the development of such land fails to comply with the overall land-use requirements, unless such land has been developed for construction and restoration is impossible to achieve, in which case the overall land-use requirements shall be modified so the respective amount of basic farmland, cultivated land and land for building will remain unchanged. Similarly, restoration of land to farmland or to its original use is required when a land development project lacks construction feasibility or is short of project funding, even though a proper approval is in place. Idle land that has been supplied for construction purposes shall be disposed of according to relevant stipulation governing idle land. However, exceptions are allowed when pre-approval has been granted by local authorities, or if a project development contract has been executed and between local authorities and developers prior to July 1, 2002. On March 18, 2004, the Ministry of Land and Resources together with the Ministry of Supervision promulgated the Notice of Enforcing and Supervising the Transfer of Operative Land-Use Rights Through Tenders, Bidding and Public Auction (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知), which expressly required that after August 31, 2004, no transfer of land-use rights will be allowed in the form of agreement.

On November 18, 2009, the Ministry of Finance, Ministry of Land and Resources, PBOC, the Ministry of Supervision of the PRC and the National Audit Office of the PRC jointly issued a Notice on Further Strengthen the Management of Revenue and Expenditure from Land Granting (關於進一步加強土地出讓收支管理的通知), to require a minimum down payment of 50% of the land premium relating to land purchases from the PRC government. The notice also provides that the installment period stipulated in the relevant land grant contracts may not exceed one year, provided that, for special projects, upon collective approval by the relevant government authorities, the installment period stipulated in the relevant land grant contracts can be two years. Developers will not be permitted to buy new land if they fail to pay off such land premium in time. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

On March 8, 2010, the Ministry of Land and Resource of the PRC issued the Notice on Several Issues concerning the Reinforcement on Provision and Supervision over the Land-Use for Property Development (關於加強房地產用地供應和監管有關問題的通知), which shortens the time for payment of the land price by successful bidder of land. On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), according to which, when real estate development enterprises participate in the auction,

development and construction of land, their shareholders shall not provide loans, lending, guarantee or other relevant financing activities to them in violation of regulations.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Construction issued the Notice on Further Strengthening the Control of Land Transfer (關於進一步加強房地產用地和建設管理調控的通知) regarding land authorities to prohibit real estate developers and their controlling shareholders who have engaged in illegal activities (such as obtaining land-use rights through fraudulent means, transferring land-use rights improperly, holding land which has been idled for more than one year due to the fault of the developer or the controlling shareholders) from participating in land bidding process until the illegal activities have been rectified.

On January 26, 2011, the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) which specifies that if a real estate developer fails to obtain the construction permits or fails to commence the construction within two years from the designation of land for real estate development, the granted land-use rights will be forfeited and an idle land penalty will be imposed. A real estate developer is further restricted from transferring land and real estate development projects if the amount of real estate development investment (excluding the land grant fee) incurred is less than 25% of the total investment amount in respect of the subject project. The Ministry of Land and Resources issued the Notice of Diligently Carrying Out Real Estate Land-Use Management and Regulation (關於做好2012年房地產用地管理和調控重點工作的通知) on February 15, 2012, requiring land users to submit written reports to land and resources departments at the time of or prior to project commencement and completion.

Sale of Commodity Properties

Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法) promulgated by the Ministry of Construction on April 4, 2001, sale of commodity properties can include both sales before the completion of the properties (the “pre-sale”) and sales after the completion of the properties (the “post-completion sale”). Commodity buildings may be put to post-completion sale after they have passed the clearance examination and satisfied the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the real estate development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Urban Commodity Buildings (the “Pre-sale Measures”) (城市商品房預售管理辦法) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and in July 2004, and the Development Regulation. The Pre-sale Measures provide that any pre-sale of commodity buildings is subject to specified procedures. According to the Development Regulation and the Pre-sale Measures, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authority for a permit for pre-sale. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land-use rights involved and a land-use rights certificate has been properly obtained;
- a permit for construction works planning and a permit for commencement of works have been properly obtained;
- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained;
- a permit for pre-sale of commodity buildings has been obtained through pre-sale registration; and
- The proceeds of pre-sale of commodity buildings must be used to the relevant project construction.

According to the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the real estate developer shall not sell commodity properties by means of rebated sale or any such

means in disguised forms. The real estate developer may not sell uncompleted commodity properties by the after-sale lease guarantee or by any such means in disguised forms.

According to the Notice on Promoting the Stable and Sound Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) promulgated by the General Office of the State Council on January 7, 2010, local governments shall decide the minimum scale of pre-sales rationally based on local practice and may not issue separate pre-sale permits by floor or unit.

On April 13, 2010, the MOHURD issued the Notice on Further Regulating the Real Estate Market and Improving the Commodity Housing Pre-sale System (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知), which set forth certain measures to enhance the regulation of pre-sales of commodity housing. Real estate developers are strictly prohibited from pre-selling commodity housing without obtaining pre-sale permits. Within 10 days after obtaining the relevant pre-sale permits, real estate developers are required to make a public announcement on all information relating to the units available for pre-sale and the price of each unit.

As to the post-completion sale, commodity properties may be put up for post-completion sale only when the preconditions for such sale have been satisfied. Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the sale of commodity properties after the completion shall meet the following conditions:

- the real estate developer has a business license and a qualification certificate for real estate development;
- the land-use right certificates or approval documents of land using have been obtained;
- the construction planning permit and the construction commencement permit have been obtained;
- the commodity properties have been completed, inspected and accepted;
- the relocation of the residents has been completed;
- the supplementary essential facilities such as the supply of water, electricity, heating and gas, and communications are ready for use, and other public facilities are ready for use or the schedule of construction and delivery date of such facilities have been specified; and
- the property management plan has been confirmed.

The Provision on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定) was promulgated by the NDRC on March 16, 2011. According to the provision, any real estate developer or real estate agency (“real estate operators”) is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provision requires real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate operators that have received property pre-sale permit or have completed the filing procedures for the sales of completed properties, real estate operators shall announce all the commodity properties available for sale in a lump within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose such information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties with price higher than the explicit marked price or charge any other fees which has not been explicitly marked. Moreover, real estate operators may neither mislead purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

Transfer of Real Estate

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate (城市房地產轉讓管理規定) promulgated by the Ministry of Construction on August 7, 1995, as amended on August 15, 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land-use rights to the site on which the building is situated are transferred together. The parties to a

transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land-use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land-use rights as provided by the land grant contract and a land-use right certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or
- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.
- in case of where the real property has been completed in construction, the property ownership certificate shall have been obtained.

If the land-use rights were originally obtained by grant, the term of the land-use rights after transfer of the real estate will be the remaining portion of the original term provided in the land grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided in the original grant contract, consent must first be obtained from the original land-use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land-use rights were originally obtained by allocation, such allocation may be changed to land-use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land-use rights and pay the land premium according to the relevant statutes.

Leases of Buildings

The National People's Congress promulgated the Contract Law of the People's Republic of China (中華人民共和國合同法) (the "Contract Law") on March 15, 1999, which takes effect from October 1, 1999. The Contract Law defines a leasing contract as a contract whereby the lesser delivers to the lessee the lease item for it to use or accrue benefit from, and the lessee pays the rent.

The lease term may not exceed 20 years. If the lease term exceeds 20 years, the portion of the lease term beyond the initial twenty year period is invalid. At the end of the lease term, the parties may renew the lease, provided that the renewed term may not exceed 20 years commencing on the date of renewal. Where the lease term is six months or longer, the lease shall be in writing. If the parties fail to adopt a writing form, the lease is deemed an indefinite lease.

Under the Urban Real Estate Law and the Measures for Administration of Leases of Commodity Buildings (商品房屋租賃管理辦法) promulgated by the MOHURD on December 1, 2010, being effective from February 1, 2011, parties to a lease of a building must enter into a lease contract. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

Mortgages of Real Estate

Under the Property Law of the People's Republic of China (中華人民共和國物權法), the Urban Real Estate Law, the Security Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995, and the Measures for Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法)

promulgated by the Ministry of Construction on May 9, 1997, as amended on August 15, 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage must be simultaneously created on the land-use rights of the land on which the building is situated. When a mortgage is created on land obtained by way of grant, a mortgage must be simultaneously created on the ownership of the building which is on the land. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under “third party rights” on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issuance of the certificates evidencing the rights and ownership to the real estate.

The PBOC issued a Circular on Further Strengthening the Management of Loans for Property Business (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to tighten the requirements for banks to provide loans for the real property business as follows:

- Property development loans may be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans shall be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and shall be property restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property developers with commodity properties of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring.
- Commercial banks may not grant loans to property developers without a “land-use rights certificate,” “construction land planning permit,” “construction work planning permit” and “construction work commencement permit.”
- While property developers apply for bank loans, their own capital, i.e. owner’s equity, shall not be less than 30% of the total investment required for the project. Commercial banks are prohibited from lending to property developers solely for the payment of land premiums. A loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a cross-region way.
- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down-payment by the borrower remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the down-payment by the borrower should be approximately increased.
- When a borrower applies for a mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection.
- The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area (套型建築面積) of 90 sq.m. or more, effective on June 1, 2006. See “— Measures on Stabilizing Property Prices” below.

In a Circular on Facilitating the Continuous and Healthy Development of Property Market (關於促進房地產市場持續健康發展的通知) issued by the State Council on August 12, 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity residential houses and controlling the construction of high quality commodity houses. Besides, the government also staged a series of measures on the lending for residential development.

They included, among others, strengthen efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (商業銀行房地產貸款風險管理指引) issued by CBRC on August 30, 2004, commercial banks may not provide any loan in any form for a project without the land-use rights certificate, construction land-use planning permit, construction work planning permit and construction work commencement permit. Any property developer applying for property development loans must have invested at least 35% of capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

Under the Notice of the PBOC on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the General Office of the State Council issued an opinion developed by the Ministry of Construction (and relevant departments) on Adjustment of Housing Supply Structure and Stabilization of Property Prices (關於調整住房供應結構穩定住房價格的意見). According to the opinion, in order to curtail the rapid rise in property prices, from June 1, 2006, the minimum amount of down payment for individual housing shall not be less than 30%. However, considering the housing needs of low- and middle-income earners, the minimum down payment for self-occupied housing with a GFA of less than 90 sq.m. per unit remains unchanged, and shall not be less than 20%.

On September 27, 2007, PBOC and CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知) to further regulate the management of credit loans for commercial real estate. These measures include:

- prohibiting commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land-use rights certificate, construction land-use planning permit, construction planning permit and a construction permit;
- prohibiting commercial banks from lending to property developers solely for the payment of land premiums;
- for commodity properties that has been vacant for three years, a commercial bank shall not accept them as collateral for a loan. In principle, a loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a project of different location. For a loan, the use of which is really needed in a non-local real estate development project and for which the relevant risk control measures have been implemented, a commercial bank shall report on it to the regulatory authority for archival purposes before the loan is made;
- requiring banks to support funding needs of borrower purchasing their first small and medium self-occupied flat, and to grant loans only to individuals who have purchased flats the main structure of which have been topped out;
- the minimum down payment for a first unit of self-occupied flat with a GFA of less than 90 sq.m. per unit shall not be less than 20%. The minimum amount of down payment for a first unit of self-occupied flat with a GFA of over 90 sq.m. per unit shall not be less than 30%. The minimum down payment for the second unit or more payable by an individual who has obtained a mortgage to purchase the first flat shall not be less than 40%, the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased;
- commercial properties purchase by loans shall have been completed and passed completion acceptance inspection; and for commercial properties, the minimum down payment shall not

be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

According to the Supplementary Notice of the PBOC and CBRC on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的補充通知) issued on December 5, 2007, the number of loans granted to a borrower shall be determined on the basis of loans granted to the borrower's family (including the borrower, his/her spouse and his/her underage children).

According to the requirement under a notice issued by PBOC and CBRC on Promoting Economical and Intensive Utilization of Land Through Financing (關於金融促進節約集約用地的通知) on July 29, 2008, when the land and resource authority confirms that a developer has only developed less than 1/3 of the whole area or has only invested less than 1/4 of the total investment after the lapse of one full year from the date of commencing the construction of a real estate project as stipulated in the land transfer contract, a financial institution shall be prudent in granting loans to it and rigidly control extended loans or rolling credits to it. When the land and resource authority confirms that the construction use land for a real estate project has been idled for two years or longer, it is prohibited to grant any loan a real estate development for the given project or other loans with the construction use land of such project as collateral (including the asset protection business).

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知), which provides that, effective from October 27, 2008, the float-down range for interest rate for individual residential mortgage loans is expanded and the ratio of down payments is adjusted. As a result, the minimum interest rate for individual residential mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

On December 20, 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate shall be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展得通知), provides that the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), which increases (i) the amount of down payment to 30% of the property price for the purchase of the first property over 90 sq. m.; (ii) the amount of down payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (iii) the amount of down payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies.

According to the Notice on Issues concerning the Improvement of Differential Housing Credit Policies (關於完善差別化住房信貸政策有關問題的通知) jointly issued by of the PBOC and CBRC on September 29, 2010, all commercial banks shall suspend granting housing loans to families for purchasing the third or more housing units; commercial banks shall also suspend the granting of housing loans to non-local residents who cannot provide local tax payment proof or proof of social insurance payment for one year or longer.

For the purchase of commodity housing with loans, the down payment shall be adjusted to more than 30% of the total price. For the real estate developers which leave any land idle, change the usage and nature of land, delay the time of initiating project and completion of construction, hold back housing units for future sale, or have other records of violations of laws or regulations, all commercial banks shall suspend granting loans to them for new projects development and suspend the extension of loans.

On January 26, 2011, the General Office of the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment in respect of mortgage loans on purchases of second residential properties by families is increased to 60% of the purchase price and the applicable mortgage rate must be at least 1.1 times of the relevant benchmark lending rate published by the PBOC.

On September 29, 2014, the PBOC and CBRC jointly issued the Notice on Further Improving Housing Financial Services (關於進一步做好住房金融服務工作的通知), according to which, for a family that applies for a loan to purchase the first ordinary owner-occupied residential property, the minimum down payment ratio shall be 30%, and mortgage rate shall be no less than 0.7 times of the relevant benchmark lending rate; where a family, which owns an existing residential house for which the relevant mortgage loan has been paid off, applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant financial institutions shall adopt the lending policies of the first owner-occupied property.

The PBOC, Ministry of Housing and Urban-Rural Development and CBRC issued the Notice on Matters Concerning Personal Housing Loan Policies (關於個人住房貸款政策有關問題的通知) on March 30, 2015. According to the Notice, where a household, which already owns one housing property and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted to 40%. In case of purchasing ordinary housing properties using housing accumulation fund loans by first-time buyers, the minimum down payment ratio is 20%; where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is 30%.

According to the Notice on the Adjustment to the Down Payment Ratio for Personal Housing Provident Fund Loans (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) promulgated by the Ministry of Housing and Urban-Rural Development, Ministry of Finance and PBOC on August 27, 2015, and effective from September 1, 2015, where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted from 30% to 20%. Beijing, Shanghai, Guangzhou and Shenzhen may decide on such ratio at their own discretion based on the state's policy and local condition.

On September 24, 2015, the PBOC and the CBRC jointly issued the Notice on Issues concerning the Further Improvement of Differentiation on Housing Credit Policies (關於進一步完善差別化住房信貸政策有關問題的通知), according to which, for the first purchase of ordinary housing with commercial loans, the minimum down payment shall be adjusted to not less than 25% of the purchase price in cities where no purchase restriction policy is adopted.

Real Estate Management

According to the Regulation on Property Management (物業管理條例) promulgated by the State Council on June 8, 2003 and amended on August 26, 2007, an enterprise engaging in property management activities shall have the independent corporation capacity. The State applies the system of qualification administration to the enterprises engaging in property management activities.

Under the Measures for the Administration of Qualifications of Property Management Enterprises (物業服務企業資質管理辦法) promulgated by the Ministry of Construction on March 17, 2004 and amended respectively on November 26, 2007 and on May 4, 2015, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the

relevant authority and obtaining a qualification certificate. The qualifications of a property service enterprise shall be classified as the first, second and third grades.

The qualification grade of a newly established property service enterprise shall be checked and ratified according to the minimum grade, with an interim effective period of one year. The property service enterprises with the first grade qualification may undertake various property management projects. The property service enterprises with the second grade qualification may undertake the property management business of residential projects of less than 300,000 sq.m. and the non-residential projects of less than 80,000 sq.m. The property service enterprises with the third grade qualifications may undertake the property management business of residential projects less than 200,000 sq.m. and non-residential projects less than 50,000 sq.m.

Insurance

There is no mandatory provision in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments.

According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

Measures on Stabilizing Property Prices

The General Office of the State Council promulgated a Circular on Stabilizing Housing Prices (關於切實穩定住房價格的通知) on March 26, 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. On April 30, 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and resources, PBOC, the State Taxation Bureau and CBRC jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) with the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high quality housing property construction should be strictly restricted.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation.

Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.

- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden.

In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the National Bureau of Statistics, the State Taxation Bureau and CBRC jointly issued the Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The Opinions reiterated the existing measures and introduced new measures to further curb fast increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among the others, include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of GFA of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area less than 90 sq.m. per unit (including affordable housing) and that projects which have received project development approvals prior to that date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the extension of loans and the grant of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

On December 20, 2008, the General Office of the State Council issued the rules on the Opinion on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides that in order to expand domestic demand and encourage consumption in ordinary residential housing, a business tax relief policy for real property transfers will be implemented for one year in relation to residential property conveyance. Business tax is exempted for any transfer of ordinary housing purchased and held by individuals for at least two years, as opposed to five years previously; any transfer of ordinary housing purchased by individuals for less than two years is subject to business tax based on the difference between the sale price from such transfer and the original purchase price, as opposed to the full sale price. Any transfer of non-ordinary housing purchased by individuals for at least two years, as opposed to five years previously, is subject to business tax based on the difference between the gain from such transfer and the original purchase price. Any transfer of non-ordinary housing purchased by individuals for less than two years remains subject to business tax based solely on the sale price from such transfer. The above-mentioned policy is tentatively scheduled to be enforced until December 31, 2009.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which provides that, as of October 27, 2008, the float-down range for interest rate for commercial individual housing loans will be expanded and the ratio of down payments will be modified. The minimum interest rate for commercial individual housing loans will be 70% of the benchmark loan interest rate and the minimum down payment ratio will be adjusted to 20%. Related matters are as follows:

- Loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on the following factors: whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity.
- Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions.
- As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with Section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective.
- The policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

Pursuant to the Circular of the General Office of the State Council on Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) dated January 26, 2011, generally, municipalities, provincial capitals and cities with high housing prices will implement purchase restrictions for a specified period. In principle, (i) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one additional house (including the new commodity residential house or a second hand one); and (ii) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses or a non-local residential family that cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

On February 26, 2013, The State Council General Office of the PRC promulgated the Notice on Further Regulation and Control of Real Estate Market (關於繼續做好房地產市場調控工作的通知), introducing five policy measures to control the real estate market, including: a) improving the accountability system for stabilization of house prices; b) strictly controlling over house purchase for speculation; c) increasing the supply of ordinary residential houses and the land supply of residential houses; d) accelerating the planning and construction of subsidized housing projects; e) tightening the market regulations and forecast management; and f) accelerating the establishment and optimization of the long-term mechanism for the healthy development of the real estate market.

The highlights of the measure for "control over house purchase for speculation" under the notice are as follows:

- Continuous enforcement of stringent restrictions on commodity housing purchases;
- For cities with soaring house prices, the local branches of the PBOC may further increase the proportion of down payments and interest rates for second-home buyers according to the price control targets and policy requirements for newly-constructed commodity housing of the local governments;
- The taxation department and the housing and urban-rural development department shall work closely together to impose personal income tax on the sales of self-owned houses. A tax rate of 20% on the proceeds from the transfer shall be strictly levied upon verification of the value of the houses based on tax collection and housing registration data.

The notice also stipulated that if the number of small-and medium-sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions. In addition, the local authorities shall strengthen the pre-sale fund management and improve their regulatory systems. For overpriced pre-sale commodity housing projects in breach of the guidance of the housing and urban-rural development department or the regulations on pre-sale fund, the approval and issuance of the pre-sale permits may be suspended.

PRC Taxation

PRC Deed Tax

Under the Provisional Regulation on the Deed Tax of the People's Republic of China (中華人民共和國契稅暫行條例) which took effect on October 1, 1997, deed tax applies to entities and individuals that accept the transfer of land-use rights and the ownership of houses within the territory of the PRC.

The transfer of land-use rights and the ownership of houses refer to the following acts:

- Assignment of the right to use state-owned land;
- Transfer of land-use rights, including the transfer by means of sale, gift and exchange, excluding the transfer of the right contract for the management of rural collective land;
- Purchase and sale of houses;
- Gift of houses; and
- Exchange of houses.

The transfer of land-use rights and the ownership of houses by the means of the following methods are also deemed to be governed by the above regulation, as stipulated by the Implementation Rule of Provisional Regulation on the Deed Tax (中華人民共和國契稅暫行條例細則):

- Using land-use rights and ownership of a house as investment;
- Setting off debt with land-use rights and the ownership of house;
- Obtaining land-use rights and the ownership of a house as a prize; and
- Obtaining land-use rights and the ownership of a house by the way of purchasing in advance.

The rate of deed tax will, within the range of 3–5%, be determined by the PRC government agencies of provincial, autonomous region and municipal level in light of the actual conditions of the underlying properties respective areas and shall be reported to the Ministry of Finance and the State Administration of Taxation.

The deed tax will be reduced or exempted under the following circumstances:

- For the acceptance of land and houses by state agencies, institutions, social organizations and military units for office, teaching, medical service, scientific research and military facilities, the deed tax will be exempted;
- For the initial purchase of state-owned residential houses by urban and township workers and staff members according to the provisions of relevant laws and regulations, the deed tax will be exempted;
- For the purchase of residential houses in replacement of houses damaged or destroyed due to force majeure, the tax will, upon approval, be reduced or exempted according to the circumstances; and
- Any other types of reduction or exemption provided by the Ministry of Finance.

Reduction or exemption of deed tax will not be applicable if the relevant land or house and the change of use is no longer within the above mentioned scope, and an amount of tax equivalent to the tax reduction or exemption should be repaid.

On September 29, 2010, the Ministry of Finance, the Ministry of Construction and the State Administration of Taxation promulgated the Notice on the Adjustment of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transactions (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that deed tax rate is reduced to 1% for first-time individual buyer who purchases an ordinary residential property with a GFA of less than 90 sq.m. as the family's sole property.

Income Tax

According to the EIT Law enacted by the National People's Congress on March 16, 2007 and relevant implementation rules enacted by the State Council on December 6, 2007, both in effect from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards PRC enterprises, foreign investment enterprises and foreign enterprises which have set up production and operation facilities in the PRC. The PRC EIT Law also permits enterprises to continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules, under which enterprises that were subject to an enterprise income tax rate of 15% prior to January 1, 2008 may continue to enjoy the lower rate and gradually transition to the new enterprise income tax rate within five years after the effective date of the PRC EIT Law, that is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and the new statutory enterprise income tax rate of 25% from 2012 onwards. In addition, under the phase-out rules, enterprises established before the promulgation date of the PRC EIT Law and which were granted tax holidays (such as a two-year exemption and three years of reduction by 50% and a five-year exemptions and five years of reduction by 50%) under the then effective tax laws or regulations may continue to enjoy their tax holidays until their expiration.

Under the implementation rules of EIT Law, in effect from January 1, 2008, a withholding tax of 10% will be applicable to dividends paid by foreign-invested enterprises to foreign investors, unless otherwise stipulated in tax treaties concluded between Chinese government and other jurisdictions. However, due to Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) on August 21, 2006, a company incorporated in Hong Kong will be subject to a withholding tax at a rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. In addition, the PRC State Administration of Taxation promulgated a tax notice on October 27, 2009, or Circular 601, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits.

According to the implementation rules of the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management body" located within the PRC, such an enterprise may be recognized as a PRC tax resident enterprise and subject to enterprise income tax at the rate of 25%. According to the PRC EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprises are exempted from enterprise income tax.

On March 6, 2009, the State Administration of Taxation promulgated the Measures for the Treatment of Enterprise Income Tax on Real Estate Development and Operation Businesses (房地產開發經營業務企業所得稅處理辦法), which regulates the revenue, cost of sales, fees deduction, accounting of costs and tax treatment of specific matters of enterprises engaging in the real estate business in the PRC in relation to the imposition of corporate income tax.

Business Tax

Pursuant to the Provisional Regulation of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) enacted by the State Council on December 13, 1993 and revised on November 10, 2008, and its Detailed Implementation Rules on the Provisional Regulation of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance on December 15, 2008 and revised on October 28, 2011, the tax rate on transfers of immovable properties, their superstructures and attachments is 5%.

The Ministry of Finance and the State Administration of Taxation issued the Notice on Adjusting Business Tax Policies for Personal Housing Property Transfers (關於調整個人住房轉讓營業稅政策的通

知) on March 30, 2015. According to the Notice, business tax will be fully levied on housing properties purchased by individuals for less than 2 years; in the case of non-ordinary housing properties purchased by individuals for longer than 2 (inclusive) years, business tax will be levied on the portion of sale income deducting the purchase price; and ordinary housing properties purchased by individuals for longer than 2 (inclusive) years will be exempted from business tax.

Land Appreciation Tax

Under the LAT Regulation promulgated by the State Council on December 13, 1993 and revised on January 8, 2011, and its implementation rules, LAT applies to both domestic and foreign investors, irrespective of whether they are corporate entities or individuals. LAT is payable on the appreciation in value representing the balance of the proceeds received on sales, after deducting various prescribed items. LAT is charged at progressive rates ranging from 30% to 60%. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land-use rights and the costs of land development and the construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, such an exemption is not available and the taxpayer will be liable to LAT on the full appreciation amount, after taking account of the allowable deductions. The allowable deductions include the following items:

- Payment made to acquire land-use rights;
- Costs and expenses related to land development and the construction of the properties;
- Construction costs and charges in the case of newly constructed buildings and facilities or assessed value in the case of old buildings and structures;
- Taxes in connection with the transfer of real estate; and
- Other items stipulated by the Ministry of Finance (including 20% deduction of the first two items mentioned above in relation to property development).

LAT is charged at progressive rates ranging from 30% to 60% of the appreciation value (i.e., the balance as described above).

Appreciation value	LAT rates (%)
For the portion	
Not exceeding 50% of allowable deductions	30
Over 50% but not more than 100% of allowable deductions	40
Over 100% but not more than 200% of allowable deductions	50
Over 200% of allowable deductions	60

An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

According to the implementation rules of LAT Regulation, a provision of LAT may be made before the completions of construction of the tax payer transfers the proceeds of pre-sale. The provision rate may be determined by Local government subject to the minimum requirement set forth by the State Administrative of Taxation.

Urban Land-use Tax

Pursuant to the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People’s Republic of China (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on September 27, 1988 and revised on December 31, 2006, on January 8, 2011 and December 17, 2013, land-use taxes in respect of urban land is to be levied according to the area of relevant land. The annual tax shall be between RMB0.2 and RMB10 per sq.m. of urban land. According to the Approval on Land-Use Tax Exemption of Foreign Investment Enterprises (關於外商投資企業徵免土地使用稅問題的

批覆) issued by the State Administration of Taxation on March 27, 1997, land-use fees instead of land-use taxes were to be collected from foreign-invested enterprises. However, the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (中華人民共和國城鎮土地使用稅暫行條例) was revised by the State Council on December 31, 2006. As of January 1, 2007, land-use taxes are to be collected from foreign-invested enterprise. The annual tax is between RMB0.6 and RMB30.0 per sq.m. of urban land. On June 1, 2007, the State Administration of Taxation promulgated the Approval on Levy of Urban Land-Use Tax of Foreign Investment Enterprises and Foreign Enterprise (關於外商投資企業和外國企業徵收城鎮土地使用稅問題的批覆) and restated the above points.

Real Estate Tax

Before January 1, 2009, there are two parallel tax systems in China for enterprises engaged in real estate development and investment in China. Such tax applicable for domestic enterprises, organizations and individuals is real estate tax which is calculated on the remaining original book value of the real estate after 10% to 30% deduction of the original book value depending on where the real estate is located, at a rate of 1.2%, or on the rental income derived by the real estate at a rate of 12% according to the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986. While foreign invested enterprises, foreign enterprises and foreign individuals are required to pay urban real estate tax on land and buildings owned by them in the urban areas of China. According to the Provisional Rules on Urban Real Estate Tax of the People's Republic of China (中華人民共和國城市房地產稅暫行條例) promulgated by the State Council on August 8, 1951, the urban real estate tax is charged at a rate of 1.5% annually based on standard prices for property or 15% annually based on rental income.

By issuance of PRC State Council Order 546 (中華人民共和國國務院令2008第546號) on December 31, 2008, the State Council unifies the two parallel real estate tax systems by abolishing the urban real estate tax. Starting from January 1, 2009, all enterprises, organizations and individuals that own or use real estate in China shall subject to real estate tax by using the calculation method as mentioned in the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986.

Stamp Duty

Under the Provisional Regulation on Stamp Duty of the People's Republic of China (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988, effective on October 1, 1988 and revised on January 8, 2011, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land-use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Urban Maintenance and Construction Tax and Education Surcharge

Under the Provisional Regulation on Urban Maintenance and Construction Tax of the People's Republic of China (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay urban maintenance and construction tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax and business tax paid by such entity, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (關於籌措農村學校辦學經費的通知).

Foreign Currency Exchange

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise that used foreign currency in the normal course of its operations was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate set up by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for and supply of the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain an advanced approval from SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), effective on January 1, 1994 and revoked on August 28, 2009. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the settlement and payment system of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On June 20, 1996, the PBOC promulgated the Regulation on the Administration of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

The principal regulation governing foreign currency exchange in the PRC is the Regulation on the Control of Foreign Exchange (the “Foreign Exchange Regulation”) (中華人民共和國外匯管理條例), promulgated by the State Council in January 1996, as amended in January 1997 and August 2008. Under the regulation, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure such as direct investment, loans or investments in securities outside the PRC unless the approval of SAFE is obtained in advance.

Under the Foreign Exchange Regulation, foreign-invested enterprises in the PRC may purchase foreign currency for trade and service-related foreign exchange transactions without the approval of the SAFE by providing commercial documents evidencing these transactions. They may also remit foreign currency (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC government authorities, which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign-invested enterprises to purchase and remit foreign currencies in the future. In addition, foreign exchange transactions involving direct investment, loans and investments in securities outside the PRC are subject to limitations and require approvals from SAFE.

On October 21, 2005, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), which became effective on November 1, 2005 (“Circular No. 75”). The notice requires PRC domestic resident natural persons (境內居民自然人) to register or file with the local SAFE branch in the following circumstances: (i) before establishing or controlling any company outside the PRC for the purpose of capital financing, (ii) after contributing their assets or shares of a domestic enterprise into overseas special purpose vehicles, or raising funds overseas after such contributions, and (iii) after any major change in the share capital of the special purpose vehicle without any round-trip investment being made. On July 14, 2014, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (the “Circular No. 37”) (關於境內居民通過特殊目的公司境外投融資及返程投資外規管理有關問題的通知), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. The Circular No. 37 supersedes the Circular No. 75 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under the Circular No. 37, in the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. In addition, according to the procedural guideline as attached to the Circular No. 37, the principle of review has been changed to “the domestic individual resident is only register the SPV directly established or controlled (first level).”

Under the 171 document, no offshore or Chinese domestic loan is allowed and the foreign exchange administration shall not approve the conversion of foreign loans into RMB if the foreign-invested real estate corporations have not paid their registered capital in full, or have not obtained the land-use rights certificate, or their internal fund for a development project is less than 35% of the total investment.

In accordance with the 171 document, MOFCOM and SAFE jointly issued No. 50 Notice on May 23, 2007. Under the No. 50 Notice, the local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for foreign-invested real estate company who fails to satisfy the MOFCOM for filing requirement or to pass the joint annual examination of foreign-invested enterprises.

On July 10, 2007, the General Department of SAFE issued Circular No. 130. According to Circular No. 130, registration regarding the establishment of foreign-invested real estate enterprises shall be made with MOFCOM. However, such real estate enterprises with foreign investment as filed with MOFCOM will not be permitted to borrow money from overseas, including through shareholder loans and foreign commercial loans. Further, for those which fail to file with MOFCOM after June 1, 2007, neither foreign exchange registration, foreign exchange alteration registration nor sale and purchase of foreign exchange under capital account will be effected with SAFE or its branches.

The Circular No. 130 was abolished on May 13, 2013 by Notice No. 21 which was promulgated by SAFE on May 10, 2013. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the Circular No. 130 have been reflected in Notice No. 19 issued by SAFE on April 28, 2013.

On August 29, 2008, SAFE issued the “Notice of the General Department of the SAFE on Improving on Relevant Business Operations Issues Concerning the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises” (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (the “Notice 142”) which regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The Notice 142 requires that the Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise may only be used for purposes within the business scope of the relevant foreign invested companies approved by the applicable governmental authority and cannot be used for equity investments or acquisitions within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise. An offshore holding company that uses foreign exchange to invest in real estate businesses in the PRC is typically required to conduct the real estate operations through PRC subsidiaries that were established as foreign-invested real estate companies and invest in such foreign-invested PRC subsidiaries through equity contribution. In addition, it is required to complete the requisite filing procedures with MOFCOM before it can remit any funds from offshore. The use of such Renminbi capital may not be changed without SAFE’s approval, and may not, in any case, be used to repay or prepay Renminbi loans if such loans have not been used.

The Notice 142 was abolished by the Notice on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), which was promulgated by SAFE on March 30, 2015. According to the Notice, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration.

On February 15, 2012, SAFE issued the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), (“the Stock Incentive Plan Rules”), which terminated the Application Procedures of Foreign Exchange

Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plan of Overseas Publicly-Listed Company (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE in March 2007. Under these rules, PRC citizens who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE and complete certain other procedures. Participants in a stock incentive plan who are PRC citizens must retain a qualified PRC domestic agent, which could be a PRC subsidiary of such overseas publicly-listed company that participates in the stock incentive plan or other qualified PRC domestic institution designated by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options and their purchase and sale of stocks.

According to the Notice on Further Improving and Adjusting Management Policies on Foreign Exchange of Direct Investment (關於進一步改進和調整直接投資外匯管理政策的通知) (the “Notice 59”), promulgated by the SAFE on November 19, 2012, effective from December 17, 2012 and amended on May 4, 2015, foreign investors are no longer required to obtain approval from the SAFE to re-invest in China by using legal income generated in China. No approval from the SAFE is required for opening the bank account, payment into account, settlement of the foreign exchange and for the purchase and external payment of foreign exchange in relation to direct foreign investments in China. Also, domestic transfer of foreign exchange under direct investment account is no longer subject to approval by the SAFE. In addition, the foreign invested entities are permitted to remit funds to their offshore parent companies.

Labor Protection

The Labor Contract Law of the People’s Republic of China (中華人民共和國勞動合同法) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the People’s Republic of China (中華人民共和國勞動合同法實施條例) promulgated on September 18, 2008, set out specific provisions in relation to the execution, the terms and the termination of an employment contract and the rights and obligations of the employees and the employers. At the time of hiring, the employer shall truthfully inform the employee as to the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employee requests to be informed about.

Employers in the PRC are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, for unemployment insurance, for basic medical insurance, for work-related injury insurance, for maternity insurance and for housing accumulation fund. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and be ordered to make up for the missed contributions. The various laws and regulations that govern the employers’ obligation to contribute to the social security funds include the Social Insurance Law of the People’s Republic of China (中華人民共和國社會保險法) promulgated by the Standing Committee of the National People’s Congress on October 28, 2010 and effective on July 1, 2011; the Interim Regulation on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which was promulgated by the State Council on January 22, 1999 and became effective on the same date; the Interim Measures concerning the Maternity Insurance (企業職工生育保險試行辦法) which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995; the Regulation on Occupational Injury Insurance (工傷保險條例), which was promulgated by the State Council on April 27, 2003 and amended on December 20, 2010; and the Regulation on Management of the Housing Accumulation Fund (住房公積金管理條例), which was promulgated and became effective on April 3, 1999 and was then amended on March 24, 2002.

MANAGEMENT

Board of Directors

Our Board currently comprises eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors.

Name	Age	Position/Title
WANG Jianli	55	Chairman and Executive Director
WANG Dewen	36	Executive Director and Chief Executive Officer
HUANG Dehong	37	Executive Director
YUAN Bing	46	Non-executive Director
WANG Wei	46	Non-executive Director
ZHAO Lihua	72	Independent Non-executive Director
WANG Lianzhou	75	Independent Non-executive Director
LAM Chi Yuen Nelson	46	Independent Non-executive Director

Executive Directors

Mr. WANG Jianli (王健利), aged 55, is our executive Director. He was appointed as Chairman and executive Director of our Group on August 25, 2014 and is primarily responsible for formulating the overall development and strategic plans of our Group. Mr. Wang has over 19 years of experience in the development and operation of large-scale trade centers. As a key member of the Wang Family Group, Mr. Wang has been directly involved in the Group's development and operation of trade center projects since 1995. Mr. Wang has been a member of the 11th Jiangxi Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議江西省第十一屆委員會) (the "Jiangxi CCPCC") and a member of the 11th Jiangxi Federation of Industry & Commerce (江西省第十一屆工商業聯合會) ("Jiangxi FIC") since January 2013, an executive member of the 3rd Ji'an Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議吉安市第三屆委員會) ("Ji'an CCPCC") since September 2011 and the chairman of the Federation of Industry & Commerce of Ji'an City (吉安市工商業聯合會) since April 2008. Mr. Wang was also as a member of each of the 9th and the 10th Jiangxi CCPCC and a member of each of the 9th and the 10th Jiangxi FIC from December 2002 to January 2013, and a member of the 2nd Ji'an CCPCC from December 2006 to September 2011. Mr. Wang has received numerous awards, including the outstanding member of the Committee of the Chinese People's Political Consultative Conference of Ji'an City for the year 2013 (2013 年度吉安市優秀市政協委員) in December 2013; an honorary citizen of Ji'an City (吉安市榮譽市民) in March 2005; and the outstanding contributor to the building of socialism with Chinese characteristics in Jiangxi Province (江西省優秀中國特色社會主義事業建設者獎章) in December 2004. Mr. Wang is the uncle of Mr. Wang Dewen, an executive Director and the chief executive officer of our Company, and Mr. Huang Dehong, an executive Director, and Mr. Wang Dekai, the chief operating officer of the Company.

Mr. WANG Dewen (王德文), aged 36, is our executive Director. He was appointed as the executive Director on January 26, 2015, and was appointed as the chief executive officer of the Company on May 13, 2014. Mr. Wang Dewen is primarily responsible for overall business operations and management of our Group. Mr. Wang Dewen has over six years of experience in the development and operation of large-scale trade centers. From October 2009 to December 2012, Mr. Wang Dewen served as the president of China South City Xi'an Company Limited (西安華南城有限公司), a subsidiary of China South City Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1668). In this role, he was primarily responsible for project management and operation. From January 2008 to October 2009, he served as the chairman and general manager of Jingdezhen Howard Commercial and Trade Center Development Company Limited (景德鎮豪德貿易廣場開發有限公司) and was primarily responsible for project management and operation. He also served as the general manager of Shenzhen Howard Investment Co., Ltd. (深圳市豪德投資有限公司) from July 2006 to October 2009 and was primarily responsible for the company's management and operation. Prior to that, he served as the project manager of the investment banking department of China Great Wall Securities Company Limited (長城證券有限責任公司) from August 2004 to May 2005 and the analyst of research department of Guosen Securities Co., Ltd. (國信證券股份有限公司) from September 2003 and August 2004. Mr. Wang Dewen is the nephew of Mr. Wang Jianli, an executive Director and Chairman, and a cousin of Mr. Huang Dehong, an executive Director and Mr. Wang Dekai, the chief operating officer of the Company.

Mr. HUANG Dehong (黃德宏), aged 37, is our executive Director. He was appointed as the executive Director in March 2013 and is primarily responsible for the day to day management of the business of our Group. Mr. Huang has over eight years of experience in the trade center development and operations industry. He has been the director of Ningxiang Hydoo Guangcai Trade Center Development Company Limited since July 2009, the general manager of Ningxiang Hydoo Guangcai Trade Center Development Company Limited since December 2010 and the director and general manager of Wuzhou Hydoo Commercial and Trade Center Development Company Limited since April 2012. He was also the deputy general manager of Ningxiang Hydoo Guangcai Trade Center Development Company Limited from July 2009 to December 2010. From January 2006 to June 2009, he served as the executive deputy general manager of Shuozhou Howard Commercial and Trade Center Development Company Limited (朔州豪德貿易廣場開發有限公司), and was responsible for assisting the general manager with the company's operations and management. Mr. Huang graduated from Sun Yat-sen University with a diploma in law in June 1998. Mr. Huang is the nephew of Mr. Wang Jianli, an executive Director and Chairman, and a cousin of Mr. Wang Dewen, an executive Director and chief executive officer of the Company and Mr. Wang Dekai, the chief operating officer of the Company.

Non-executive Directors

Mr. YUAN Bing (袁兵), aged 46, is our non-executive Director. He was appointed as non-executive Director in July 2011 and is primarily responsible for providing strategic advice and guidance on the business and operations of our Group. Mr. Yuan has more than 13 years of experience in the investment banking industry and has extensive knowledge in corporate financing, listings and mergers and acquisitions transactions. Mr. Yuan joined Hony Capital in April 2009 and has served as managing director of the investment department of its Hong Kong office since January 2010. Currently, he is also a director of Top Amuse and a non-executive and non-independent director and member of audit and compensation committees of Biosensors International Group, Ltd., a company listed on the SGX-ST. Prior to joining Hony Capital, Mr. Yuan served as managing director of the direct investment department of Morgan Stanley Asia Limited from October 2006 to 2009. Before that, Mr. Yuan served as managing director of the PRC enterprises corporate financing department of Morgan Stanley Asia Limited from April 2004 to June 2006. Mr. Yuan also served as the vice president of Credit Suisse First Boston (Hong Kong) Limited from September 2001 to March 2004. Mr. Yuan received a bachelor of arts degree in English from Nanjing University in July 1990. He also obtained a master's degree in international relations in June 1993 and a juris doctorate's degree in June 1998 from Yale University.

Mr. WANG Wei (王威), aged 46, was appointed as the non-executive Director on January 23, 2015. Mr. Wang Wei has over 20 years of experience in international capital markets. Since early 2013, Mr. Wang Wei has been the managing director and general manager of Ping An Real Estate Fund Management (平安不動產股權投資管理有限公司). From late 2009 to early 2013, Mr. Wang Wei was the managing director and China country head of Forum Partners Investment Management, a US-based real estate private equity fund specialized in entity level structured investment. From 2008 to 2009, Mr. Wang Wei was the vice president and chief financial officer of Sunshine 100 China, a commercial and residential real estate developer in China listed on the main board of the Stock Exchange (stock code: 2608). From 2005 to 2007, Mr. Wang Wei was the managing director and co-head of China Fixed Income with UBS Group. He was also a member of UBS Group's China management committee. From 1994 to 2005, Mr. Wang Wei spent 10 years in the fixed income and equity capital market divisions at JP Morgan in New York, Singapore and Hong Kong. From 1991 to 1994, Mr. Wang Wei worked in the debt capital market and derivatives team with the treasury department of the Bank of China, Head Office. In September 2014, Mr. Wang Wei was appointed as a non-executive director of Wuzhou International Holdings Limited, a developer and operator of trade and logistics centers in China listed on the main board of the Stock Exchange (stock code: 1369).

Independent Non-executive Directors

Mr. ZHAO Lihua (趙立華), aged 72, was appointed as an independent non-executive Director on November 23, 2014. Mr. Zhao is currently a professor and a tutor of doctorate candidates of Hunan University (湖南大學). He graduated from Hunan University in 1965 with a bachelor's degree majoring in physics. He was a visiting scholar of the University of Wisconsin-Madison in the United States from August 1979 to August 1981. He was a visiting professor of the University of Hanover in Germany in 1989 and the vice president of Hunan University from March 1992 to March 2000. He served as the chairman of the board of Hebei Huda Technology & Education Development Co., Ltd. (河北湖大科技教育發展股份有限公司) from March 2000 to October 2002 and the chief supervisor of Sinosafe General

Insurance Co. Ltd. (華安財產保險股份有限公司) from July 2003 to June 2011. Mr. Zhao has been an independent non-executive director of China Glass Holdings Limited (中國玻璃控股有限公司) since June 2011, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 3300), and an independent non-executive director of China National Building Material Company Limited (中國建材股份有限公司) since October 2014, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 3323). He was formerly an independent non-executive director of China Fiberglass Co., Ltd. (中國玻纖股份有限公司) from July 2003 to April 2011, whose shares are listed on the Shanghai Stock Exchange (stock code: 600176).

Mr. WANG Lianzhou (王連洲), aged 75, was appointed as an independent non-executive Director in September 2013. Currently, he serves as an independent director of Beijing Tongrentang Co. Ltd (a company listed on Shanghai Stock Exchange), Huabao Trust Co. Ltd. (華寶信託有限責任公司), Great Wall Fund Management Co. Ltd., Heaven-Sent Capital Management Group Co. Ltd. (矽谷天堂資產管理集團), and the director of the editorial committee of Securities Investment Fund Yearbook. He also acted as an independent director of China Asset Management Co., Ltd and the independent supervisor of Baoying Fund Management Co. Ltd., and the president of the Trust and Fund Institution of the People's University of China. He previously worked at finance and economy committee of National People's Congress ("NPC Finance and Economy Committee") and was responsible for coordinating the work between the NPC Finance and Economy Committee and the relevant departments of the PRC central government and to launch the legislation on economic matters. He successively served as the vice chief and the chief of the finance group of the NPC Finance and Economy Committee office, the deputy director of the office and economic law office, bureau-level inspector of research institute. He also served as the group leader in drafting the Securities Law, Trust Law, and Investment Fund Law of China, consistently dedicating to the construction of legal system for capital market.

Mr. LAM Chi Yuen Nelson (林智遠), aged 46, was appointed as an independent non-executive Director in September 2013. He has extensive experience in professional accountancy in Hong Kong. Currently, he is the sole proprietor of Nelson and Company, Certified Public Accountants, and the chairman of Nelson CPA Limited. He has been appointed as a non-official non-executive director of the Urban Renewal Authority Board of Hong Kong SAR since May 2013. He has been the independent non-executive director of China Resources Cement Holdings Limited, a company listed on the Stock Exchange (stock code: 1313), since August 2008. He has also been appointed as a member of the Financial Reporting Review Panel since July 2013 and a member of the Air Transport Licensing Authority since August 2013. Mr. Lam is a practicing fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of several professional bodies in Australia, the USA and the United Kingdom, including CPA Australia, the American Institute of Certified Public Accountants and the Institute of Chartered Accountants of England and Wales. He is also a CFA charter holder and a fellow member of the Hong Kong Institute of Directors. Mr. Lam was the president of the Society of Chinese Accountants and Auditors from December 2011 to December 2013 and is currently the chairman of Accounting Development Foundation Limited. Mr. Lam received a bachelor of business administration degree in accounting from the Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in January 1992, a master of business administration degree from The Hong Kong University of Science and Technology in November 1998 and a master of science degree in finance from The Chinese University of Hong Kong in November 2001.

Senior Management

Mr. WANG Dewen (王德文), aged 36, was appointed as the executive Director on January 26, 2015, and was appointed as chief executive officer of our Company on May 13, 2014. For details of Mr. Wang Dewen's biographical details, please refer to the disclosure as set out in the sections headed "Management—Executive Directors" in this offering circular.

Mr. WANG Dekai (王德開), aged 38, has been the chief operating officer of our Company since August 2014, and is primarily responsible for the daily operation and management of the Group. Mr. Wang has over 15 years of experience in the development and operation of large-scale trade and logistics centers. From February 2000 to May 2006, he served as the chairman and the general manager of Henan Xinyang Commercial and Trade Center Development Company Limited (河南信陽貿易廣場開發有限公司), and was primarily responsible for the company's management and operation. From June 2006 to October 2009, he served as the chairman and the deputy general manager of Liaoning Chaoyang Howard Commercial and Trade Center Development Company Limited (遼寧朝陽豪德貿易廣場開發有限公司),

and was primarily responsible for the project management and operation. From November 2009 to July 2012, he also served as the chairman and general manager of Jining Howard Lunan Modern Trade Center Development Company Limited (濟寧豪德魯南現代物流城開發有限公司), and was responsible for the project management and operation. After that, from August 2012 to July 2014, he served as the general manager of Mianyang Western Trade Center Development Company Limited (綿陽西部現代物流城開發有限公司), and was responsible for the project management and operation. Mr. Wang Dekai is the nephew of Mr. Wang Jianli, the Chairman and an executive Director, a cousin of Mr. Wang Dewen, an executive Director and the chief executive officer of the Company, and Mr. Huang Dehong, an executive Director.

Mr. JIA Xinjiang (賈信江), aged 60, has been vice president of our Company since September 2014, and is primarily responsible for the overall financial operations of our Group. Mr. Jia is a senior economist. He obtains bachelor degrees in science of Marxist Basic Theory from Jiangxi University (江西大學) and in finance from the Economics Department of Zhengzhou University (鄭州大學), and a master degree in finance from Hunan College of Finance and Economics (湖南財經學院). Mr. Jia has 36 years of experience in management and operations of banking business, including 21 years of experience in central bank and 15 years of experience in commercial banks. He has deep understanding on China's financial markets, and is familiar with the China's monetary credit policy and financial regulations, as well as the methods of managing commercial bank business, risk-management and internal control. Prior to joining our Group, Mr. Jia served as the director of corporate banking department of Ping An Bank Company Limited (a joint-stock commercial bank whose shares are listed on the Shenzhen Stock Exchange (stock code: 000001), hereinafter referred to as "Ping An Bank") from September 2012 to September 2013, and was responsible for the corporate banking business of its Chengdu branch, Chongqing branch, Kunming branch, Wuhan branch and Haikou branch. From May 2007 to September 2012, Mr. Jia served as both the director of corporate banking department of Ping An Bank and the general manager of Ping An Bank's management department in Shenzhen, and was responsible for the overall operations of business department in Ping An Bank's southern area. From May 2005 to May 2007, Mr. Jia served as the deputy president of the Shenzhen branch of China CITIC Bank Corporation Limited (a joint-stock commercial bank whose shares are listed on both the Stock Exchange (stock code: 0998) and Shanghai Stock Exchange (stock code: 601998)), and was responsible for corporate banking, credit operations and foreign exchange business. From April 2004 to May 2005, Mr. Jia served as the deputy president of the Guangzhou branch of China Everbright Bank Co., Ltd. (a joint commercial bank whose shares are listed on both the Stock Exchange (stock code: 6818) and Shanghai Stock Exchange (stock code: 601818), hereinafter referred to as "CCB"), and was responsible for corporate banking, asset management and operation management. From September 1998 and April 2004, Mr. Jia served as the deputy president of the Shenzhen branch of CCB, and was responsible for credit management, risk review, corporate banking, retail business and integrated management. From February 1993 to September 1998, Mr. Jia served several positions in Jiangxi branch of People's Bank of China, including the assistant to president and deputy president, and was responsible for foreign exchange management, financing planning management and issuance of currency management. From October 1997 to February 1993, Mr. Jia served several positions in Shangrao district branch of People's Bank of China, including deputy president and president, and was responsible for financing planning, credit management, integrated management and the overall management.

Mr. CHAN Sze Hon (陳思翰), aged 42, was appointed as the chief financial officer of our Group in September 2014 and is primarily responsible for the overall financial affairs of our Group. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from The Hong Kong Polytechnic University. He has over 19 years of experience in accounting and financial management and had worked for Deloitte Touche Tohmatsu in Hong Kong for over 8 years. Prior to joining the Company, Mr. Chan had held various positions with companies listed on the Stock Exchange. From October 2012 to June 2014, Mr. Chan was a chief financial officer and company secretary of Wuzhou International Holdings Limited (stock code: 1369). From 2009 to 2012, Mr. Chan has been an executive director, company secretary and chief financial officer of Fantasia Holdings Group Co., Limited (stock code: 1777). Mr. Chan was the independent non-executive director of each of BLU SPA Holdings Limited, currently known as EDS Wellness Holdings Limited (stock code: 8176) and China Mining Resources Group Limited (stock code: 340) from 2007 to 2012 and 2007 to 2011, respectively. Mr. Chan also served as an independent non-executive director of ERA Information & Entertainment Limited, currently known as ERA Mining Machinery Limited, a company whose shares were listed on the Stock Exchange and delisted in 2012, from 2007 to 2012. Mr. Chan was an executive director, chief financial officer and company secretary of Greater China Holdings Limited (stock code: 431) from 2005

to 2008, and later redesignated as a non-executive director from 2008 to 2015. Prior to that, Mr. Chan worked in Deloitte Touche Tohmatsu from 1995 to 2004, where he held various positions such as staff accountant, senior accountant and manager.

Mr. HUANG Wenbin (黃文濱), aged 51, was appointed as a vice president of our Company in November 2011 and is primarily responsible for sales and marketing management of our Group. Mr. Huang has over 20 years of experience in sales and marketing. Prior to joining our Group, Mr. Huang was the vice general manager of Hong Kong Howard Group Company Limited from February 2005 to November 2011, and was principally in charge of the sales and marketing of trade center projects. Mr. Huang was also the deputy general manager of the Jining Hydo Logistics Center Development Company Limited from May 2010 to November 2011, and was responsible for sales and marketing of the Jining Trade Center. Concurrently, Mr. Huang served as deputy general manager of China South City Xi'an Company Limited (西安華南城有限公司) in charge of marketing from January 2010 to October 2011, and was responsible for sales and marketing management. Mr. Huang served as the deputy general manager of Jingdezhen Howard Trade Center Development Company Limited (景德鎮豪德貿易廣場開發有限公司) from January 2001 to June 2005. He also acted as the deputy general manager/ general manager of Jiangxi Howard Group Bioengineering Industrial Co., Ltd. (江西豪德集團生物工程實業有限公司) from November 1998 to December 2000 and the deputy general manager of Ganzhou Lifa Metal Products Company Limited (贛州利發金屬製品有限公司) from March 1994 to November 1998.

Mr. ZHAO Yande (趙彥德), aged 38, has been a vice president of our Company since November 2011, and a general manager of the Ganzhou project of our Group since December 2012. From November 2011 to November 2012, Mr. Zhao served as the vice president of construction management of our Company and was primarily responsible for the overall construction management of our Group. Mr. Zhao has more than 14 years of experience in construction management. Prior to joining our Group, he was also the deputy general manager of Jining Hydo Logistics Center Development Company Limited from February 2010 to November 2011 and was responsible for construction management of the Jining Trade Center. Concurrently, Mr. Zhao acted as the deputy general manager of construction in China South City Xi'an Company Limited (西安華南城有限公司) from October 2009 to October 2011, and was responsible for managing the construction of the entire project. From November 2008 to October 2009, Mr. Zhao acted as the deputy general manager of construction in Jingdezhen Howard Trade Center Development Company Limited (景德鎮豪德貿易廣場開發有限公司), and was responsible for managing the construction of the entire project. From May 2006 to November 2008, Mr. Zhao worked for Shenzhen China Overseas Construction Limited (深圳中海建築工程有限公司), and was responsible for managing the construction of the Futian Shangri-La Hotel, Kerry Plaza and Zhuhai Silver Bay projects. From July 2000 to May 2006, Mr. Zhao worked for China State Construction International Holdings Ltd., and was responsible for managing the reconstruction of Kowloon Hospital, the 101 Area project and other projects. Mr. Zhao received a bachelor's degree in construction management from Chongqing University in July 2000, and a master of science degree in project management from the Hong Kong Polytechnic University in December 2007.

Mr. CHEN Zhongmin (陳忠民), aged 60, was appointed as a vice president of our Company in November 2011 and is primarily responsible for the overall project plan and architectural design management of our Group. Mr. Chen has more than ten years of experience in city planning, architectural design, commercial real estate development and operations management. Prior to joining our Group, Mr. Chen acted as the chief planner of Hong Kong Howard Group Company Limited from April 2007 to November 2011, and was responsible for site selection, design and planning of all the projects of the group. Concurrently, Mr. Chen acted as the executive deputy general manager of Jining Hydo Logistics Center Development Company Limited from February 2010 to November 2011 and was responsible for the daily management of the company and the design of Jining Trade Center. From April 2006 to April 2007, he was the general manager of Shenzhen Minghao Investment Company Limited (深圳市銘豪投資公司), and was responsible for the property development and operations of the project companies, especially Muyang project. From August 2002 to February 2006, he successively served as the deputy general manager of Quanying Weiye (Beijing) Investment Management Company Limited (全贏偉業(北京)投資管理有限公司), the general manager of Henan Luohe Quanying Weiye Estate Company Limited (河南漯河全贏偉業置業有限公司) and the deputy general manager, executive deputy general manager and general manager of Henan Pingdingshan Trade Center Development Company Limited (河南平頂山貿易廣場開發有限公司), and was responsible for the project development. Mr. Chen was the director and architect of the design department of Jiangxi Ganzhou Architecture Design Institute, the director of Ganzhou City Planning and Survey Design Institute, the director of Ganzhou City Planning

Bureau, a member of the Management Committee of China Association of City Planning and vice president of the Jiangxi Association of City Planning. Mr. Chen was granted the title of senior engineer in city planning by the professional title reform leading group (職稱改革領導小組) of Jiangxi province in September 1997. Mr. Chen graduated from Jiangxi Normal University (江西師範大學) with a diploma in arts in February 1977.

Mr. ZHOU Zhiyuan (周志元), aged 42, was appointed as a vice president of our Company in December 2012 and is primarily responsible for the construction and cost management for the Group. Mr. Zhou has nine years of experience in construction management. From December 2010 to December 2012, he served as the general manager of the planning and construction management department of Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司), responsible for the project development, planning and operation and the construction management of the group. During the same period, he concurrently served as the general manager of Taijian Construction Engineering Co., Ltd. (泰建建築工程有限公司) under the group. He also served as the deputy general manager of Liyu Construction Design Company (麗雨建築設計公司) under the group, responsible for decoration, landscape design and management from June 2012 to December 2012. From March 2010 to November 2010, he served as the deputy general manager of Changsha Kaifu Wanda Plaza Investment Company Limited (長沙開福萬達廣場投資有限公司), in charge of the construction work. From July 2007 to February 2010, he successively served as the chief of general housing management center and project general manager of Dongguan Vanke Real Estate Co., Ltd (東莞萬科房地產有限公司), and was responsible for its project development and construction management. From July 2004 to July 2007, he served as the construction manager of Guangdong Century City Group Company Limited (廣東世紀城集團有限公司), in charge of its project development and construction management. Mr. Zhou received a bachelor of science degree in water conservancy and hydropower engineering construction from Tsinghua University in July 1995.

Mr. MA Yi (馬禕), aged 45, was appointed as a vice president of our Company in January 2014, and is primarily responsible for the strategic planning and project operations of our Group. Prior to joining our Group, Mr. Ma also acted as the assistant-to-president and director of the commerce department of Diamond Park Creative Design (Shenzhen) Co., Ltd (寶鑽園創意設計(深圳)有限公司). From July 2007 to August 2009, Mr. Ma acted as the marketing director of China South International Industrial Materials City (Shenzhen) Co. Ltd (華南國際工業原料城(深圳)有限公司), a wholly-owned subsidiary of China South City Holdings Limited. Mr. Ma also worked in Guangzhou International Commodity Exhibition & Trade Center Company Limited (廣州國際商品展貿城股份有限公司) and Lionda Holdings (Group) Co., Ltd (a company listed on Shenzhen Stock Exchange). Mr. Ma received a bachelor of science degree from Guangxi University of Technology (廣西工學院) in July 1991.

Mr. WANG Xiangui (王顯貴), aged 58, was appointed as the director of the project development department of our Company in December 2010 and is primarily responsible for the project development of the Group. Mr. Wang has more than 19 years of experience in project development of trade centers. From January 2010 to November 2010, Mr. Wang served as the manager of project development department of Hydoo HK and was responsible for the project development of the company. From August 1995 to November 2010, he was the manager of project development department of Hong Kong Howard Group Company Limited, and was responsible for the project development. He has been awarded the title of the outstanding entrepreneur with social responsibility of Weifang city in December 2010.

Company Secretary

Ms. MOK Mun Lan Linda (莫敏蘭), aged 49, was appointed as the company secretary of our Company in March 2013. Ms. Mok has over 15 years of professional experience in the company secretarial field. Ms. Mok was employed by Hongkong Managers & Secretaries Limited since 2007 and currently is their senior manager specializing in provision of corporate services. Ms. Mok started her career at Chan Chee Cheng & Co., certified public accountants, as a senior secretarial officer from March 1991 to September 1997. She rejoined the company as company secretarial manager in April 2005. From August 2001 to September 2004, Ms. Mok served as the company secretarial officer of Lei Shing Hong Limited (a company previously listed on the Stock Exchange). From May 2000 to August 2001, she acted as the company secretary of Maxcorp Holdings Limited. Ms. Mok also worked in the corporate services department of Deacons (formerly known as Deacons Graham & James) as an executive officer from September 1997 to May 2000. Ms. Mok was awarded a higher certificate in company secretaryship & administration with credit from the Hong Kong Polytechnic University in October 1995 and graduated with a bachelor of laws degree from the University of London in August 2004. She became an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Chartered Secretaries in April 1997.

Board Committees

We have established three committees, namely, the audit committee, the remuneration committee and the nomination committee, to handle particular responsibilities of our board and our affairs. All of our board committees are established with defined written terms of reference which have been uploaded to the website of the SEHK and our website, and are provided with sufficient resources to discharge their duties.

Audit Committee

We established our audit committee on September 27, 2013 in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the audit committee by our board. The primary duties of the audit committee are to review our financial information, to oversee the financial reporting process and internal control system of our Group, to oversee the audit process, to make recommendation on the appointment, re-appointment and removal of external auditor and perform other duties and responsibilities as assigned by our board. The audit committee consists of two independent non-executive Directors and one non-executive Director. The current three members are Mr. Lam, Chi Yuen Nelson, the chairman of the audit committee and the independent non-executive directors; Mr. Zhao Lihua, the independent non-executive director; and Mr. Yuan Bing, the non-executive director.

Remuneration Committee

We established our remuneration committee on September 27, 2013 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the remuneration committee by our board. The primary duties of the remuneration committee are to make recommendations to the policy and structure of the remuneration for our directors and senior management and to review and approve the compensation payable to the directors and senior management. The remuneration committee comprises two independent non-executive directors and one executive director. The current three members are Mr. Wang Lianzhou, the chairman of the remuneration committee and the independent non-executive Director; Mr. Lam, Chi Yuen Nelson, the independent non-executive director; and Mr. Wang Jianli, the executive director.

Nomination Committee

We established our nomination committee on September 27, 2013 with written terms of reference in compliance with the requirements of the CG Code and Corporate Governance Report as set out in the Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the nomination committee by our board. The primary duties of the nomination committee are to review the structure, size and composition of our board and to make recommendations to the board on the appointment and removal of directors. In the nomination procedures, the nomination committee makes reference to criteria including reputation of candidates for integrity, accomplishment and experience, professional and educational background. The nomination committee comprises two independent non-executive directors and one executive director. The current three members are Mr. Zhao Lihua, the chairman of the nomination committee and an independent non-executive director; Mr. Wang Lianzhou, an independent non-executive director; and Mr. Wang Jianli, an executive director.

Compensation of Directors and Management

Our directors and senior management of our Company receive compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives (including share-based compensation), housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

The aggregate amount of compensation (including any fees, salaries, allowances, benefit in kind, pension scheme contributions, equity-settled share-based payments and bonus) paid to our directors for the years ended December 31, 2012, 2013 and 2014 were approximately RMB6.6 million, RMB11.0 million and RMB10.4 million (US\$1.7 million), respectively. The aggregate amount of compensation

(including salaries, pension scheme contribution, equity-settled share-based payments and bonus) paid to the five highest paid individuals of our Group for the years ended December 31, 2012, 2013 and 2014 were approximately RMB12.8 million, RMB18.3 million and RMB16.1 million (US\$2.6 million), respectively.

From 2012 to 2014, no remuneration was paid to our directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. None of our Directors waived any emoluments during the same period.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of our ordinary shares as of June 30, 2015 by (i) our directors and senior management and (ii) those persons known by us to beneficially own 5% or more of our outstanding shares.

Name of shareholder	Corporate interest	Share options and convertible notes	Total shares interested	Approximate percentage of the issued share capital of the Company ⁽²⁾
Directors and senior management				
Wang Jianli	2,070,000,000 ⁽³⁾	–	2,070,000,000	51.56%
Wang Dewen	2,070,000,000 ⁽³⁾	–	2,070,000,000	51.56%
Huang Dehong	2,070,000,000 ⁽³⁾	4,000,000 ⁽¹⁾	2,074,000,000	51.66%
Wang Lianzhou	–	300,000 ⁽¹⁾	300,000	0.01%
Lam Chi Yuen Nelson	–	300,000 ⁽¹⁾	300,000	0.01%
Principal shareholders				
Most Trend Holdings Limited ..	2,070,000,000	–	2,070,000,000	51.56%
Wong Choihing ⁽⁴⁾	2,070,000,000 ⁽³⁾	5,800,000 ⁽¹⁾	2,075,800,000	51.70%
Wang Quanguang	2,070,000,000 ⁽³⁾	–	2,070,000,000	51.56%
Wang Dekai	2,070,000,000 ⁽³⁾	4,000,000 ⁽¹⁾	2,074,000,000	51.66%
Wang Desheng	2,070,000,000 ⁽³⁾	4,000,000 ⁽¹⁾	2,074,000,000	51.66%
Wong Sheungtak	2,370,000,000 ⁽³⁾⁽⁵⁾	4,000,000 ⁽¹⁾	2,374,000,000	59.13%
Top Amuse Holdings Limited ...	600,000,000	–	600,000,000	14.95%
Hony Capital Fund 2008, L.P. ⁽⁶⁾	600,000,000	–	600,000,000	14.95%
Hony Capital Fund 2008 GP, L.P. ⁽⁷⁾	600,000,000	–	600,000,000	14.95%
Hony Capital Fund 2008 GP Limited ⁽⁸⁾	600,000,000	–	600,000,000	14.95%
Hony Capital Management Limited ⁽⁹⁾	600,000,000	–	600,000,000	14.95%
Hony Managing Partners Limited ⁽¹⁰⁾	600,000,000	–	600,000,000	14.95%
Zhao John Huan ⁽¹¹⁾	600,000,000	–	600,000,000	14.95%
Eminent Ascend	300,000,000	–	300,000,000	7.47%
Pingan Real Estate Capital Limited ⁽¹²⁾	–	493,923,567 ⁽¹⁶⁾	493,923,567	12.30%
Ping An Real Estate Company Limited ⁽¹³⁾	–	493,923,567 ⁽¹⁶⁾	493,923,567	12.30%
Ping An Life Insurance Company of China Ltd. ⁽¹⁴⁾ ...	–	493,923,567 ⁽¹⁶⁾	493,923,567	12.30%
Ping An Insurance (Group) Company of China, Ltd. ⁽¹⁵⁾ ...	–	493,923,567 ⁽¹⁶⁾	493,923,567	12.30%

(1) Represents the Options granted pursuant to the Pre-IPO Share Option Scheme. Details of the Pre-IPO Share Option Scheme are disclosed in the Company's annual reports and its prospectus dated October 18, 2013.

(2) The percentage shareholding is calculated on the basis of 4,014,844,000 Shares issued as of June 30, 2015.

(3) Represents 2,070,000,000 shares are held by Most Trend Holdings Limited ("Most Trend"). The entire issued share capital of Most Trend is wholly-owned by Mr. Wong Choihing, Mr. Wang Dewen, Mr. Wang Jianli, Mr. Wang Quanguang, Mr. Wang Desheng, Mr. Wang Dekai, Mr. Huang Dehong and Mr. Wong Sheungtak (collectively, the "Ultimate Controlling Shareholders"). By virtue of an acting-in-concert declaration executed by the Ultimate Controlling Shareholders on March 23, 2013, the Ultimate Controlling Shareholders, among other things, confirmed that since January 1, 2010, they have been operating our Group collectively and would through discussions reach consensus among themselves before reaching any commercial decisions on an unanimous basis. As such, the Ultimate Controlling Shareholders are deemed to be interested in the 2,070,000,000 Shares of our Company through Most Trend, representing 51.56% interest in the issued share capital of our Company.

(4) Mr. Wong Choihing is an Ultimate Controlling Shareholder, the former Chairman and executive Director, and has been removed from his positions since August 25, 2014. Mr. Wang Jianli has been appointed to take up all the positions in the Company vacated by Mr. Wong Choihing pursuant to the new management arrangement as set out in the announcement of the Company dated August 25, 2014.

(5) Wong Kim, the previous sole shareholder of Eminent Ascend, has transferred all of his shares of Eminent Ascend to Mr. Wong Sheungtak on November 3, 2014, therefore, Eminent Ascend is now wholly-owned by Mr. Wong Sheungtak. Hence, Mr. Wong Sheungtak is deemed to be interested in 300,000,000 Shares held by Eminent Ascend.

- (6) Top Amuse Holdings Limited (“Top Amuse”) is wholly-owned by Hony Capital Fund 2008, L.P., hence Hony Capital Fund 2008, L.P. is deemed to be interested in 600,000,000 Shares held by Top Amuse.
- (7) Hony Capital Fund 2008, L.P. is controlled by Hony Capital Fund 2008, GP, L.P., hence Hony Capital Fund 2008, GP, L.P. is deemed to be interested in 600,000,000 Shares held by Top Amuse.
- (8) Hony Capital Fund 2008, GP, L.P. is controlled by Hony Capital Fund 2008 GP Limited, hence Hony Capital Fund 2008 GP Limited is deemed to be interested in 600,000,000 Shares held by Top Amuse.
- (9) Hony Capital Fund 2008 GP Limited is wholly-owned by Hony Capital Management Limited, hence Hony Capital Management Limited is deemed to be interested in 600,000,000 Shares held by Top Amuse.
- (10) Hony Managing Partners Limited hold 80% of the shares of Hony Capital Management Limited, hence Hony Managing Partners Limited is deemed to be interested in 600,000,000 Shares held by Top Amuse.
- (11) Hony Managing Partners Limited is wholly-owned by Mr. Zhao John Huan, hence Mr. Zhao John Huan is deemed to be interested in 600,000,000 Shares held by Top Amuse.
- (12) Pingan Real Estate Capital Limited (formerly known as Pingan Real Estate (HongKong) Company Limited) holds a direct interest in the Convertible Notes which could be convertible into 493,923,567 shares upon conversion, subject to adjustment.
- (13) Pingan Real Estate Capital Limited is 100% controlled by Ping An Real Estate Company Ltd, hence Ping An Real Estate Company Ltd. is deemed to be interested in 493,923,567 underlying shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.
- (14) Ping An Real Estate Company Ltd is controlled by Ping An Life Insurance Company of China Ltd, hence Ping An Life Insurance Company of China Ltd is deemed to be interested in 493,923,567 underlying shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.
- (15) Ping An Life Insurance Company of China Ltd is 99.5% controlled by Ping An Insurance(Group) Company of China, Ltd., hence Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 493,923,567 underlying shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.
- (16) In January 2015, we completed the issue of 7.00% convertible notes in principal amount of US\$120,000,000 due 2020 to Pingan Real Estate Capital Limited (formerly known as Pingan Real Estate (Hong Kong) Company Limited). As of June 30, 2015, the maximum number of shares that will be issued upon conversion of all the outstanding notes at adjusted conversion price is 493,923,567 Shares.

RELATED PARTY TRANSACTIONS

From time to time, our Group has entered into a number of transactions with our related parties. We believe that each of our related party transactions was entered into in the ordinary course of business on fair and reasonable commercial terms in our interest and the interest of our shareholders as a whole. For further information, please refer to our financial reports for the years ended December 31, 2013 and 2014 and for the six months ended June 30, 2015 included elsewhere in this offering circular. Following our listing on the SEHK and as part of our effort to reduce the related party transactions, we have established policies and procedures to identify related parties and all related party transactions are required to be approved by our Board.

Transactions with Related Parties

The following is a summary of the significant transactions carried out between the Group and our related parties during the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015:

	For the year ended December 31,				For the six months ended June 30,		
	2012	2013	2014		2014	2015	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Receipts from related parties							
Controlling Shareholders	3,039	796	-	-	-	-	-
Shenzhen Howard Industrial Co., Ltd.*	110,804	-	-	-	-	-	-
Ji'An Trade Center Development Co., Ltd.*	5,000	-	-	-	-	-	-
Shenzhen Howard Investment Co., Ltd.*	170,000	-	-	-	-	-	-
Jincheng Howard Guangcai Trade Center Development Co., Ltd.*	70,000	-	-	-	-	-	-
Linyi Howard Guangcai Trade Center Development Co., Ltd.*	20,000	-	-	-	-	-	-
Others	1,500	-	-	-	-	-	-
	<u>380,343</u>	<u>796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Payments to related parties							
Controlling Shareholders	39,868	228	-	-	-	-	-
Shenzhen Howard Industrial Co., Ltd.*	58,674	-	-	-	-	-	-
Ji'An Trade Center Development Co., Ltd.*	5,000	-	-	-	-	-	-
Shenzhen Howard Investment Co., Ltd.*	170,000	-	-	-	-	-	-
Jincheng Howard Guangcai Trade Center Development Co., Ltd.*	70,000	-	-	-	-	-	-
Linyi Howard Guangcai Trade Center Development Co., Ltd.*	20,000	-	-	-	-	-	-
Others	-	1,000	-	-	-	-	-
	<u>363,542</u>	<u>1,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sales of properties to related parties	-	607	-	-	-	-	-
Acquisition of a subsidiary from one of the Controlling Shareholders	-	-	2,000	323	2,000	-	-

* The Controlling Shareholders transferred their equity interests in these entities to third parties, and as a result, as of December 31, 2012, such entities were no longer considered related parties of the Group.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To finance our capital expenditure and working capital requirements and to fund certain of our acquisitions, we have entered into financing arrangements with various financial institutions. As of June 30, 2015, our total borrowings amounted to RMB2,696.3 million (US\$434.9 million). Set forth below is a summary of the material terms and conditions of these loans and other material indebtedness.

PRC Loan Agreements

We and certain of our PRC subsidiaries have entered into short- and long-term loan agreements with local branches of various commercial banks in China, including Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, Ping An Bank and Bank of Lanzhou. These loans have terms ranging from one to five years. As of June 30, 2015, the aggregate outstanding amount under these loans totaled approximately RMB1,995.2 million (US\$321.8 million), of which RMB801.2 million (US\$129.2 million) was due within one year of such date. These loans are secured by our properties in the PRC.

Interest

Our bank loans bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to review by the lenders monthly, quarterly, semi-annually or annually. Other loans are subject to fixed interest rates. Interest payments generally 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, 2015, the weighted average interest rate on the outstanding amount under these PRC loan agreements was 6.66% per annum.

Financial Covenants

Under a number of our loans, certain of our PRC subsidiaries have agreed to comply with financial covenants, including (i) the total liabilities to total assets ratio not exceeding an agreed number that ranges from 60% to 70%, (ii) the contingent liabilities to net assets ratio not exceeding 70%, (iii) the actual earnings received from property projects not below 30% of the estimated amount and (iv) reductions in credit ratings. In the event we fail to comply with the financial covenants in the loans, the relevant lending bank will be entitled to demand additional guarantees under the loans and if we cannot provide additional guarantee to the satisfaction of the lending banks, it may be entitled to accelerate payments under the loan. As of the date of this offering circular, three of our subsidiaries are currently not in compliance with the financial covenants under four bank loans, though they have obtained confirmations from the lending banks under all four loans that the banks will not demand additional guarantees. The non-compliance in each case was due to the failure of our subsidiaries to meet the liabilities to assets ratio required under the loans because of the large amount of receipts in advance held by our subsidiaries, which consist of deposits and down payments from customers for purchases of our properties. Such receipts in advance are currently considered a liability but will be recognized as revenue upon delivery of the relevant properties, which we expect will significantly lower our total liabilities and increase our total assets, thus lowering our liabilities to assets ratio.

Dividend Restrictions

Pursuant to the PRC loans with certain of our lenders, some of our PRC subsidiaries have also agreed not to declare or make payment of dividends or other distributions if profit after tax in the relevant fiscal year is insufficient to offset accumulated losses from previous years or if the relevant subsidiary cannot make timely payments of principal or interests after the dividend payments.

Events of Default

Our PRC loan agreements contain certain customary events of default, such as 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 its approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. Upon the occurrence of an event of default, the lenders may terminate the loan agreement and demand immediate repayment of principal of the loan and any accrued but unpaid interests and other application compensation.

Security

Our obligations under our loan agreements are secured by our properties in the PRC. In particular, our secured bank loans totaled RMB1,995.2 million (US\$321.8 million) as of June 30, 2015, of which

RMB1,491.6 million (US\$240.6 million), RMB923.8 million (US\$149 million) and RMB399.7 million (US\$64.5 million) was secured by our properties under development, completed properties and properties held for future development or properties held for sale and investment properties and intellectual property, respectively.

Contingent Liabilities

We make arrangements with PRC commercial banks so that such banks may provide mortgage facilities to our customers to purchase our properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to our customers. Guarantees for such mortgages are generally discharged at the earlier of: (i) the due registration of the mortgage interest held by the commercial bank upon the subject property, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers. In addition, we are required by the banks to place a security deposit to secure our guarantee obligations. If a purchaser defaults on the mortgage loan, we are typically required to purchase the underlying property by paying off the mortgage loan along with any accrued and unpaid interest and any applicable penalty as set forth in the underlying loan agreement. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. Such amount may also be settled through withholding the security deposit we place with the banks. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of June 30, 2015, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB2,648.4 million (US\$427.2 million).

7.00% Convertible Notes due 2020

Our US\$120,000,000 aggregate principal amount of 7.00% convertible notes due 2020 (the “Convertible Notes”) are our senior obligations rank at least *pari passu* in right of payment with all our unsecured, unsubordinated indebtedness, subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law. As of the date of this offering circular, we had a total of US\$120,000,000 principal amount of the Convertible Notes outstanding.

Guarantee

Our obligations under the Convertible Notes are guaranteed by the Subsidiary Guarantors. Each of the Subsidiary Guarantors jointly and severally guarantee the due payment of all sums expressed to be payable by us under the Convertible Notes.

Collateral

In order to secure the obligations under the Convertible Notes, we and the Subsidiary Guarantor Pledgors under the Convertible Notes indenture (the “Convertible Notes Indenture”) pledged the capital stock of all Subsidiary Guarantors owned by us or the Subsidiary Guarantor Pledgors (as the case may be) on a first priority basis (subject to permitted liens) for the benefit of the holders of the Convertible Notes. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each Subsidiary Guarantor Pledgor under the Convertible Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the Convertible Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the Convertible Notes Indenture.

Interest

The Convertible Notes bear an interest rate of 7.00% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the Convertible Notes restrict us and each of our restricted subsidiaries from, among other things:

- incurring additional indebtedness and issue preferred stock;
- declaring dividends on its capital stock or purchase or redeem capital stock;

- making investments or other specified restricted payments;
- incurring or assuming any lien;
- creating encumbrance or restriction on the restricted subsidiaries' ability to pay dividends and transfer assets or make intercompany loans;
- issuing or selling capital stock of restricted subsidiaries;
- guaranteeing additional indebtedness;
- entering into sale and leaseback transactions;
- selling assets;
- entering into transactions with equity holders or their affiliates;
- engaging in different business activities; or
- effecting a consolidation or merger.

Conversion

Holders of the Convertible Notes may exercise their conversion right to convert the Convertible Notes into our shares at their option at any time from the date on which the Convertible Notes were issued under the Convertible Notes Indenture until the seventh day prior to January 23, 2020, or, if we exercise the right to redeem the Convertible Notes or the holder of such Convertible Note exercises the right to require us to redeem or repurchase such Convertible Note pursuant to the Convertible Notes Indenture, then up until the exercising of such right of redemption or repurchase. The initial conversion price is HK\$1.956 per share, subject to adjustment in the manner provided in the Convertible Notes Indenture.

Event of Default

The Convertible Notes contain customary events of default, including a default in the payment of principal when due, default in payment of interest that continues for 30 consecutive days, and other events of default as set forth in the Convertible Notes Indenture. If an event of default (other than an event of default relating to certain bankruptcy events) occurs and is continuing, holders of at least 25% in aggregate principal amount of the Convertible Notes then outstanding, by written notice to us and to the trustee of the Convertible Notes, may, and the trustee shall, declare the Convertible Notes to be immediately due and payable, without prejudice to the holders' right to exercise the conversion right. If an event of default relating to certain bankruptcy events, the principal of the Convertible Notes then outstanding will automatically become immediately due and payable.

Change of Control

Within seven days of the occurrence of a change of control event, we are required to give written notice to the holders of the Convertible Notes informing them their entitlement to exercise their conversion rights and their entitlement to exercise their rights to require redemption of their Convertible Notes.

Maturity and Redemption

The maturity date of the Convertible Notes is January 23, 2020. If we or any of the Subsidiary Guarantors becomes obligated to pay certain additional tax amounts due to changes in specified tax laws, we may redeem the Convertible Notes at a redemption price equal to the early redemption amount as fixed by us in accordance with the Convertible Notes Indenture, together with accrued and unpaid interest.

Holders of the Convertible Notes have the right to require us to redeem all or part of the Convertible Notes held by such holders if our shares cease to be listed or admitted to trading, or are suspended for trading for a period equal to or exceeding 30 consecutive trading days, or if there is a change of control, or if we fail to meet certain sales targets.

At any time on or after January 23, 2018, holders of the Convertible Notes will have the right to require us to redeem all or part of the Convertible Notes held by such holders at a redemption price equal to the early redemption amount as fixed us in accordance with the Convertible Notes Indenture, together with accrued and unpaid interest.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Hydo International Holding Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which Guarantees (as defined below) the Notes is referred to as a “Subsidiary Guarantor,” and each such Guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Intercreditor Agreement, the Security Documents, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Intercreditor Agreement, the Security Documents, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). 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 for inspection on or after the Original Issue Date at the corporate trust office of the Trustee at 39/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “—The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the secured obligations (if any, other than Permitted *Pari Passu* Secured Indebtedness) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “—Security” and will:

- be entitled to the benefit of a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement (as defined below) and shared on a *pari passu* basis with (i) the holders of the Convertible Notes and (ii) any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness); and

- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on December 15, 2018, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “—Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of Notes” include any Additional Notes that are actually issued.

The Notes will bear interest at 13.75% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on June 15 and December 15 of each year (each an “Interest Payment Date”), commencing June 15, 2016. Interest on the Notes will be paid to Holders of record at the close of business on May 31 or November 30 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year composed of twelve 30-day months.

In any case in which the date of the payment of principal of, premium, if any, or interest on the Notes is not a Business Day in the relevant place of payment, or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment by the Holders of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent currently located at c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland) and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided that*, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Hongkong Hydoos Holding Limited (香港毅德控股有限公司), Trade Logistics Enterprises Limited (業運企業有限公司), Abundant Idea Investments Limited (訊溢投資有限公司), Hongkong China Hydoos Logistic Limited (香港中國毅德物流有限公司), Hongkong Deshang Bright Ocean Limited (香港德尚時光海有限公司), Hongkong Hydoos Group Investment Company Limited (香港毅德集團投資有限公司), Copious Epoch Limited (世溢有限公司), Union Capital Holdings Limited (滙聯集團有限公司), Jiayue Limited (佳粵有限公司) and Hongkong Hydoos Financial Holding Limited (香港毅德金融控股有限公司). These Subsidiary Guarantors consist of all of the Company’s Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). None of Zhuo Ying Limited (卓盈有限公司) (the “Initial Other Non-Guarantor Subsidiary”) and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the “PRC Non-Guarantor Subsidiaries,” and together with the Initial Other Non-Guarantor Subsidiary, the “Initial Non-Guarantor Subsidiaries”) will be a Subsidiary Guarantor on the Original Issue Date.

No 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. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries (including Non-Guarantor Subsidiaries (as defined below)) 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, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date or any entity (1) that is incorporated in any jurisdiction other than the PRC and (2) in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary, is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) in the case of any other entity, is proposing to purchase no less than 50.1% of the Capital Stock of such entity such that it becomes a Subsidiary and designate such entity as a Restricted Subsidiary, the Company may, concurrently with such sale or purchase, provide a JV Subsidiary Guarantee 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 (i) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (ii) 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 appraised value of such Capital Stock determined by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, in the case of Security Documents, also to the Security Agent:
 - (i) (A) a duly executed JV Subsidiary Guarantee (the “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 and each such Restricted Subsidiary of such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the applicable JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Security Agent for itself and for the benefit of the Holders, the holders of the Convertible Notes and any other creditors with respect to Permitted Pari Passu Secured Indebtedness 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 Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions);
- as of the date of the execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets; and
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock or purchase of Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or sold the for Capital Stock of the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Company.

As of June 30, 2015,

- the Company and its consolidated subsidiaries had total consolidated bank and other borrowings of approximately RMB2,696.3 million (US\$434.9 million), including short-term indebtedness of RMB801.2 million (US\$129.2 million);
- the Company and the Subsidiary Guarantors (on an unconsolidated basis) had total bank and other borrowings of RMB701.1 million (US\$113.1 million); and
- the Non-Guarantor Subsidiaries had total bank and other borrowings in the amount of RMB1,995.2 million (US\$321.8 million).

In addition, as of June 30, 2015, the Initial Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately RMB2,222.9 million (US\$358.5 million) and RMB2,648.4 million (US\$427.2 million), respectively.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets (other than the Collateral) serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries of such Subsidiary Guarantors.

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be enforceable only up to the JV Entitlement Amount;

- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, 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, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, 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 and 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), promptly upon such future Restricted Subsidiary becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a “New Non-Guarantor Subsidiary,” together with the Initial Other Non-Guarantor Subsidiary, the “Other Non-Guarantor Subsidiaries”), *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Other Non-Guarantor Subsidiaries do not account for more than 10.0% of Total Assets.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% 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 they will no longer Guarantee the Notes) and (b) instruct the Security Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Other Non-Guarantor Subsidiaries (including the New Non-Guarantor Subsidiaries) do not account for more than 10.0% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (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.

Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

In addition, subject to the limitations described in “Risk Factors—Risks Related 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 lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement and shared on a *pari passu* basis with (i) the holders of the Convertible Notes and (ii) any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “—Security;” and

- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee provided by any JV Subsidiary Guarantor will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to the applicable JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note 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, will be made in U.S. dollars.

Under the Indenture, and any supplemental indenture thereto, 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 insolvency, fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee provided by any JV Subsidiary Guarantor will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to an amount which is the lower of (i) the applicable 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 void or voidable, it could be rendered ineffective or 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. The Guarantee of a Subsidiary Guarantor or a JV Subsidiary Guarantor may be voided or subject to review under applicable insolvency or fraudulent transfer laws, or subject to a lawsuit by or on behalf of creditors of such Subsidiary Guarantor or JV Subsidiary Guarantor. 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 financial assistance, insolvency corporate benefit or fraudulent transfer or unfair preference laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under “—Defeasance—Defeasance and Discharge;”
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture;
- in the case of a JV Subsidiary Guarantee, upon the replacement of such JV Subsidiary Guarantee with a Subsidiary Guarantee in compliance with the terms of the Indenture;
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under 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, merger or disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20.0% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (i) prohibiting the Company or any Restricted Subsidiary from releasing such Subsidiary Guarantee, (ii) prohibiting the Company or any Restricted Subsidiary from providing such JV Subsidiary Guarantee or (iii) requiring the Company or any Restricted Subsidiary to deliver or keep in force a replacement Guarantee on terms that are more favorable to the recipients of such Guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock as determined by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee, and in the case of the Security Documents, also to the Security Agent:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized

under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the applicable JV Entitlement Amount;

- (ii) a duly executed Security Document that pledges in favor of the Security Agent 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);
- as of the date of the execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets; and
 - all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Company.

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 or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee, as the case may be, shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release under the Indenture have been complied with and that such release is authorized and permitted by the Indenture.

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 owned by the Company or the Initial Subsidiary Guarantor Pledgors (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 Guarantor Pledgors under the Convertible Notes, the Notes and the Subsidiary Guarantees and the Permitted *Pari Passu* Secured Indebtedness.

The initial Subsidiary Guarantor Pledgors are Abundant Idea Investments Limited (訊溢投資有限公司), Trade Logistics Enterprises Limited (業運企業有限公司), Copious Epoch Limited (世溢有限公司) and Jiayue Limited (佳粵有限公司).

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future (unless they cease to be Non-Guarantor Subsidiaries). In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security to secure any obligations under the Notes, the Indenture or any Subsidiary Guarantee or JV Subsidiary Guarantee.

The Company has also agreed, for the benefit of the Holders of the Notes, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any), including each Future Subsidiary Guarantor, to pledge, the Capital Stock directly 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 (or any additional Capital Stock of a JV Subsidiary Guarantor or a Subsidiary Guarantor acquired by the Company or a Subsidiary Guarantor after the Original Issue Date) promptly upon such Person becoming a Subsidiary Guarantor or JV Subsidiary Guarantor, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement. See “—Release of Security” and “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral—The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees. 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 and retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such Pari Passu Subsidiary Guarantee, “Permitted Pari Passu Secured Indebtedness”); *provided that* (i) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the caption “Limitation on Indebtedness and Preferred Stock;” (ii) the holders (or their representative, trustee or agent) of such Indebtedness (other than Additional Notes) become party to an Intercreditor Agreement referred to below; (iii) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Subsidiary Guarantee substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture, the Intercreditor Agreement and the Security Documents; and (iv) 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, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee and the Security Agent are permitted and authorized, without the consent of any Holder, to enter into the Intercreditor Agreement and any amendments or supplements 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 security agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the holders of the Convertible Notes, the Holders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

On the Original Issue Date, the Company, the initial Subsidiary Guarantor Pledgors, Citicorp International Limited as the security agent (the “Security Agent”), the Trustee and the trustee of the Convertible Notes will enter into an intercreditor agreement (as may be amended or supplemented from time to time, the “Intercreditor Agreement”), which will provide (1) that the Notes, the Convertible Notes and the Permitted Pari Passu Secured Indebtedness shall share equal priority and *pro rata* entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced.

In connection with the Incurrence of any future Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative, trustee or agent) will accede to the Intercreditor Agreement to include the holders (or their representative, trustee or agent) of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement that may be required under the terms of the Indenture.

Enforcement of Security

The Lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Security Agent for itself and for the benefit of the trustee of the Convertible Notes, the holders of the Convertible Notes, the Trustee, the Holders and the holders of any future Permitted Pari Passu Secured Indebtedness (together the “Secured Parties”). The Security 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 Security Agent has agreed to act as a Secured Party on behalf of the Holders under the applicable Security Documents, to follow the instructions provided to it under the Indenture, the Security Documents and the Intercreditor Agreement and to carry out certain other duties.

The Indenture and/or the Security Documents will principally provide that, at any time while the Notes are outstanding, the Security Agent will have the exclusive right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to 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, among other things, that any Secured Party may instruct the Security Agent to enforce the Collateral and to deliver a notice of enforcement to the Company and the applicable Subsidiary Guarantor Pledgor (such instructions, the “Enforcement Instructions”). Upon receipt of an Enforcement Instruction from any Secured Party, the Security Agent will provide a copy of such Enforcement Instruction and notice of enforcement to the Company and the other Secured Parties. If (a) the Security Agent identifies a conflict (i) between Secured Parties’ interests in connection with any Enforcement Instruction or (ii) in the event that each of the Secured Parties issues Enforcement Instructions, between those Enforcement Instructions, and (b) the Security Agent believes in its sole discretion that the interests of the Secured Parties would be in conflict upon the exercise of those Enforcement Instructions, or that compliance with an Enforcement Instruction would cause the Security Agent to contravene another Enforcement Instruction, the Security Agent shall notify each Secured Party in writing not more than five Business Days after it becomes aware of such conflict. In such circumstances, the Security Agent is not obligated to take any action if it identifies such conflict.

The Intercreditor Agreement provides that any proceeds from any sale, collection, liquidation or enforcement of the Collateral shall be distributed by the Security Agent in accordance with the terms of the Intercreditor Agreement and subject to the conditions of the relevant Security Document. Such proceeds shall be applied as follows:

first, to the Security Agent, any receiver or any delegate to the extent necessary to reimburse the Security Agent, such receiver or delegate, for itself and in its capacity as security agent, receiver or delegate, for any unpaid fees, costs and expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing remedies under the Security Documents and the Intercreditor Agreement and preserving the Collateral and all amounts for which the Security Agent, receiver or delegate is entitled to indemnification under the Indenture, the Intercreditor Agreement, if any, or the Security Documents;

second, to the extent not reimbursed under the above paragraph, *pro rata* to each of the trustee of the Convertible Notes, the Trustee, any other trustee or representative of any Permitted Pari Passu Secured Indebtedness and the agents for the Convertible Notes, the Notes or any Permitted Pari Passu Secured Indebtedness (to the extent they incur reasonable expenses acting in their capacity as delegate or agent of the trustee of the Convertible Notes, the Trustee or any other trustee or other representative of any Permitted Pari Passu Secured Indebtedness), to the extent necessary to reimburse the foregoing Persons for any fees and expenses (including properly incurred fees and expenses of counsel) incurred in connection with the Indenture, the Security Documents and the Intercreditor Agreement and in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing remedies under the Secured Party Documents, Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons are entitled to indemnification under the Secured Party Documents, Intercreditor Agreement and the Security Documents;

third, *pro rata* to each of the trustee of the Convertible Notes for the benefit of the holders of the Convertible Notes, the Trustee for the benefit of the Holders and, to the extent applicable, to holders of

Permitted Pari Passu Secured Indebtedness (or their representative for the benefit of such holders), in each case, to satisfy outstanding obligations thereunder in accordance with the terms of the applicable Secured Party Document;

fourth, to the extent not reimbursed under the above paragraph, to the agents for the Convertible Notes, the Notes or any Permitted Pari Passu Secured Indebtedness; and

fifth, 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 Security Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Security Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Security Agent's Liens on the Collateral. Neither the Trustee nor the Security 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 Notes, for the legality, adequacy, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, 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.

The Security Documents will provide that the Company and the Subsidiary Guarantor Pledgors will indemnify and/or secure the Security Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Security Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the fraud, gross negligence or willful misconduct of the Security Agent.

This section, "—Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "—Permitted Pari Passu Secured Indebtedness" above.

Release of Security

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in relation to the Notes and the Subsidiary Guarantees in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "—Defeasance—Defeasance and Discharge;"
- upon 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 (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in such New Non-Guarantor Subsidiary;

- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor in accordance with the terms of the Indenture; 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.

No release of Collateral shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee and the Security Agent an Officer's Certificate and an Opinion of Counsel stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price, the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below.

OPTIONAL REDEMPTION

At any time prior to December 15, 2018, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to December 15, 2018, the Company may redeem up to 35% of the principal amount of the Notes with the Net Cash Proceeds of one or more sales of its Common Stock in an Equity Offering at a redemption price of 113.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed, the Notes will be selected for redemption as follows:

- (1) if the Notes are listed on any securities exchange, in compliance with the requirements of the principal securities exchange on which the Notes are then listed (if any), or any applicable requirements of the clearing systems through which the Notes are held; or
- (2) if the Notes are not listed on any securities exchange, on a pro rata basis, by lot or by such other method as the Trustee deems fair and appropriate unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s and the Subsidiary Guarantors’ then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the Notes upon a Change of Control Triggering Event.”

The definition of Change of Control includes a phrase relating to the sale of “all or substantially all” the assets of the Company. Although there is a limited body of case law interpreting the phrase “substantially all,” no precise definition of the phrase has been established. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder’s Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances and the relevant jurisdiction or jurisdictions in which this phrase is interpreted.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require the Company to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on, the Notes or under the Subsidiary Guarantees and the 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, collected, withheld, assessed or levied by any jurisdiction in which the Company, a Surviving Person (as defined under the caption “—Consolidation, Merger and Sale of Assets”) or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note, the Subsidiary Guarantees or the JV Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (a) for or on account of:
 - (i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (A) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or, if the Holder is a trust, partnership, limited liability company or a corporation, its beneficiaries, partners, members or shareholders, and the Taxing Jurisdiction, other than merely holding such Note, 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 Taxing 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;
 - (B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30 day period;
 - (C) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide any certification, identification, information and documents concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; or
 - (D) the presentation of such Note (where presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;
 - (ii) any estate, inheritance, gift, sale, excise, transfer, personal property or similar tax, assessment or other governmental charge;

- (iii) any withholding or deduction that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive amending, supplementing or replacing such Directive or any law implementing or complying with, or introduced in order to conform to, such Directives;
 - (iv) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);
 - (v) 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
 - (vi) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (i), (ii), (iii), (iv) and (v).
- (b) 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 Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor, with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, person or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, at any time, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to 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, or amendment to, an existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or an official position is announced (a) in the case of the Company, Surviving Person and any initial Subsidiary Guarantor on or after the Original Issue Date, or (b) in the case of a Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that changing the jurisdiction of the Company, a Subsidiary

Guarantor or Surviving Person is not a reasonable measure for purposes of this section; *provided further* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, 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:

- (a) an Officers' Certificate stating that such change or 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
- (b) an Opinion of Counsel or an opinion of a tax consultant of recognized standing with respect to tax matters in the Relevant Jurisdiction to the effect that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph exists.

The Trustee shall and shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed pursuant to the provisions under the caption “—Redemption for Taxation Reasons” will be cancelled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0.

Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

- (b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
 - (1) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (2) any Pari Passu Subsidiary Guarantee by any Subsidiary Guarantor or JV Subsidiary Guarantor;
 - (3) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(4) of this “—Limitation on Indebtedness and Preferred Stock” covenant; *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

- (4) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (x) any event which results in any such Restricted Subsidiary to whom such Indebtedness is owed 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 (4), (y) if the Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be unsecured and 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;
- (5) Indebtedness (“Permitted Refinancing Indebtedness”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (a) or clause (1), (2), (3), (8), (15), (16), (17) or (18) of this paragraph (b) 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 the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (5) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued and remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced; (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause (5) 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;
- (6) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (7) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

- (8) Indebtedness Incurred by the Company or any Restricted Subsidiary:
- (i) representing Capitalized Lease Obligations or Other Financing to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business; or
 - (ii) 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 assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business;

provided that, in the case of clause (ii), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price, cost or payment, as the case may be, and (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and, in the case of clauses (i) and (ii), (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (8) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under this clause (8) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) and (2) the aggregate principal amount of all outstanding Indebtedness Incurred and Preferred Stock Issued under clauses (16), (17) and (18) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness), does not exceed an amount equal to 20.0% of Total Assets;

- (9) 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);
- (10) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (11) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;

- (12) 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;
- (13) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under another provision of this covenant or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (14) 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 (b)(14) at any time outstanding (together with refinancings thereof) does not exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (15) 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\$20.0 million (or the Dollar Equivalent thereof);
- (16) Bank Deposit Secured Indebtedness Incurred 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 outstanding of all such Indebtedness Incurred pursuant to this clause (16) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness) and (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock Issued pursuant to clause (8) above and clauses (17) and (18) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (8) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20.0% of Total Assets;
- (17) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a PRC Project Company; *provided* that, on the date of Incurrence of such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness Incurred and Preferred Stock Issued under this clause (17) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness) and (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (8) and (16) above and clause (18) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (8) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20.0% of Total Assets;
- (18) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties or other properties owned and held by any PRC Restricted Subsidiary for office use; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (18) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued pursuant to clauses (8), (16) and (17) above (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under

clause (8) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20.0% of Total Assets; and

- (19) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement.
- (c) 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.
- (d) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness or Preferred Stock due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of the Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any 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 the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any 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 shall have 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 Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum (without duplication) of:
- (1) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2015 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
 - (2) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
 - (3) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
 - (4) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person or other transfer of properties (with respect to transfer of properties, the amount of reduction shall be the lower of (x) such net reduction as recorded under GAAP and (y) the Fair Market Value of such properties at the time of such transfer), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person; plus
 - (5) US\$20.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company, any Subsidiary Guarantor or any 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 substantially concurrent sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor 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, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of the preceding paragraph;
- (5) 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, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (7) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person *provided* that, such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made (such date not to exceed 12 months from the date the Staged Acquisition Agreement was entered into) (the “Deadline Date”); *provided further* that, in the event such Person does not become a Restricted Subsidiary on or before the Deadline Date, all payments previously made under this clause (7) shall be aggregated and constitute Restricted Payments made on the Deadline Date and such Restricted Payments must satisfy the other conditions under this covenant; or
- (8) dividends paid to, or the purchase of the Capital Stock of any Restricted Subsidiary (as the case may be) held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (b)(17) of the “Limitation on Indebtedness and Preferred Stock” covenant;

provided that, in the case of clause (2), (3) or (4) 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 made pursuant to clause (1) of the preceding paragraph shall be included in calculating whether the conditions of clause (C) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted 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 Independent Financial Advisor 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 an amount in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant under the caption "—Limitation on Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to directly or indirectly incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on 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 distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligations owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents or, the Intercreditor Agreement, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or JV Subsidiary Guarantor, or in any extensions, refinancings, renewals, supplements, amendments or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not

incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale 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; or
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock permitted under clause (b)(8), (b)(14), (b)(15), (b)(16), (b)(17), (b)(18) or (b)(19) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company and the Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “Limitation on Restricted Payments” covenant if made on the date of such issuance or sale and *provided* that the Company complies with the “Limitation on Asset Sales” covenant; or

- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the “Limitation on Asset Sales” covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness (“Guaranteed Indebtedness”) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clause (b)(3), (b)(4), (b)(13)(ii) (in the case of clause (b)(13)(ii), other than a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary or (b)(16) (in the case of clause (b)(16), 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 (A) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (B) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the applicable 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 applicable JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary, as the case may be, could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described 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 such 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;
- (3) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could 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" after giving pro forma effect to such Asset Disposition; and
- (4) 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 an aggregate consideration with a Fair Market Value in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an Independent Financial Advisor. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation, set-off 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 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 the aggregate amount of Excess Proceeds exceeds US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis will be selected in the manner set out under “—Optional Redemption.” Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

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 arm’s-length 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) (other than any such transaction or transactions between the Company or a Restricted Subsidiary and PingAn, so long as such transaction is or transactions are entered into in the ordinary course of business), 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 Independent Financial Advisor.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1) or (2) 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 employees, officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme has been approved by the Board of Directors and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), which as of the Original Issue Date require a majority shareholder approval of any such scheme;

- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any Restricted Subsidiary with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto; and
- (7) any sale of real property by the Company or a Restricted Subsidiary in the ordinary course of business to employees, officers, directors or their respective family members at a discount from the listed price not greater than that applicable generally to all employees of the Company and its Subsidiaries with respect to such property; *provided* that (A) revenues from all such sales in any fiscal year shall not exceed 1.0% of the revenues for that year as shown in the consolidated financial statements of the Company for that period in accordance with GAAP, (B) any such discount shall not be in excess of 10.0% of the Fair Market Value of the relevant property and (C) any such sale, individually or in the aggregate (if required to be aggregated under the Listing Rules), would not require the Company to obtain approval from its shareholders (or seek a waiver from complying with such requirement) in order to comply with the Listing Rules.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, and (iii) any transaction between or among 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; *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 Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary).

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.”

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.”

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 and is not an Other Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or, if it is permitted to do so under the Indenture, a JV Subsidiary Guarantor, and (6) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Other Non-Guarantor Subsidiary, 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, (i) 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, (ii) 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 (iii) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (A) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (B) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) as specified under the caption “Use of Proceeds” in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (2) “—Certain Covenants—Limitation on Restricted Payments;”

- (3) “—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (4) “—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “—Certain Covenants—Limitation on Issuances of Guarantees by Restricted Subsidiaries;”
- (6) “—Certain Covenants—Limitation on the Company’s Business Activities;”
- (7) “—Certain Covenants—Limitation on Sale and Leaseback Transactions;” and
- (8) “—Certain Covenants—Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “—Certain Covenants—Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

PROVISION OF FINANCIAL STATEMENTS AND REPORTS

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s common 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 and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material

respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the most recent fiscal year 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:

- (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (c) default in the performance or breach of the provisions of the covenants described under "—Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement, if any) in accordance with the covenant described under the caption "—Security;"
- (d) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (A) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (B) the failure to make a principal payment when due;
- (f) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$7.5 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

- (g) an involuntary case or other proceeding is commenced against the Company or any 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 Restricted Subsidiary or for any substantial part of the property and assets of the Company or any 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 Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (h) the Company or any Restricted Subsidiary (i) 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, (ii) other than in connection with a solvent liquidation or reorganization, consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (iii) effects any general assignment for the benefit of creditors;
- (i) 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;
- (j) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, 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
- (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Security Agent ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement, if any).

If an Event of Default (other than an Event of Default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or security to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (g) or (h) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (x) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived and (y) 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 with respect to the Notes occurs and is continuing, the Trustee may but will not be obligated to pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a

proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. If an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to being indemnified and/or secured to its satisfaction), deliver an enforcement notice to the Security Agent instructing the Security Agent to foreclose on the Collateral in accordance with the terms of the Security Documents or the Intercreditor Agreement and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate subject to the terms of the Indenture and the Intercreditor Agreement. See “—Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. 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 is 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. Neither the Trustee nor the Security Agent shall be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security; and
- (5) during such 60 day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and its Restricted Subsidiaries’ performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See “Provision of Financial Statements and Reports.”

None of the Trustee, Security Agent or any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so. Each of the Trustee, the Security Agent and the Agents may assume that no such event has occurred and that the Company and the Subsidiary Guarantors are performing all of their obligations under the Indenture, the Intercreditor Agreement, the Security Documents and the Notes unless the Trustee, the Security Agent or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Company and the Subsidiary Guarantors are not performing all of their obligations under the Indenture, the Intercreditor Agreement, the Security Documents and/or the Notes.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company is consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes, the Intercreditor Agreement, and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso in 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) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "—Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company is consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV

Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in 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) of this paragraph) and (y) 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 and JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing 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 of the Notes protection in the event of highly leveraged or other transactions involving the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor that may adversely affect holders of the Notes.

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 of any Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders of the Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below,

and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (A) the Company (a) has deposited with the Trustee (or its agent), in trust, money, U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;
- (B) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law, and
- (C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and all the covenants described herein under “Certain Covenants,” other than as described under “—Certain Covenants—Government Approvals and Licenses; Compliance with Law” and “—Certain Covenants—Anti-Layering”, and (ii) clause (c) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets,” and with respect to such other events set forth in such clause (i) above, clause (d) under “Events of Default” with respect to such other covenants set forth in clause (i) above and clauses (e) and (f) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (B) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee or successor Security Agent;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any change to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depository;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee or the Security Agent to enter into the Intercreditor Agreement or any supplements or amendments to the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);
- (11) make any other change that does not materially and adversely affect the rights of any Holder; or
- (12) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments with Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement and any Security Document may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees,

the Intercreditor Agreement or any Security Document; *provided, however*, that no such modification or amendment may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, or premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document, or any provision of 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 must be made or by which the Notes may be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (13) change the redemption date or the redemption price of the Notes from that stated under the captions "Optional Redemption" or "Redemption for Taxation Reasons;"
- (14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under U.S. federal securities laws.

CONCERNING THE TRUSTEE, THE PAYING AGENT AND THE SECURITY AGENT

Citicorp International Limited is to be appointed as Trustee under the Indenture and as Security Agent with respect to the Collateral under the Security Documents, Citigroup Global Markets Deutschland AG is to be appointed as registrar and Citibank, N.A., London Branch is to be appointed as paying and transfer agent (the "Paying Agent") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee 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.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders, unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26–27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Citicorp International Limited will initially act as the Security Agent under the Security Documents in respect of the security over the Collateral. The Security 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 and the Security Documents, subject to the Intercreditor Agreement. Under certain circumstances, the Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Trustee and the Holders. Neither the Trustee nor the Security Agent will be under obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any of the Security Documents for the benefit of the Holders unless such Holders have instructed the Trustee in writing and have offered to the Trustee and/or the Security Agent indemnity and/or security satisfactory to the Trustee and/or the Security Agent against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee and the Security Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Security Agent in respect of such risks.

The Security Agent or the Trustee, as the case may be, shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Security Agent or the Trustee, as the case may be, shall not be responsible for the value of the Collateral nor any liability for the validity, sufficiency or enforceability thereof. The Security Agent and the Trustee, as the case may be, shall not be liable to any Holders for any action taken in accordance with the instructions of the Holders. The Security Agent or Trustee, as the case may be, shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders of the requisite principal amount of the Notes outstanding.

Neither the Trustee nor the Security Agent shall be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, neither the Trustee nor the Security Agent shall be deemed to have knowledge of an Event of Default or Default unless it has been notified in writing of such an Event of Default or Default thereof.

BOOK ENTRY; DELIVERY AND FORM

The Notes will be represented by a global note in registered form without interest coupons attached (the “Initial Global Note”). On the Original Issue Date, the Initial 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. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “Additional Global Notes” and, together with the Initial Global Note, the “Global Notes”).

GLOBAL NOTES

Ownership of beneficial interests in the Global Notes (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 “—Certificated Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

PAYMENTS ON THE GLOBAL NOTES

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the principal paying agent in U.S. dollars. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and/or Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “—Additional Amounts.”

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Notes (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
- any action or failure to take action by 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 NOTES

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for certificated notes in certificated form, and to distribute such certificated 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 certificated notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Notes 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 Notes 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 participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

CERTIFICATED NOTES

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “—Events of Default” and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depositary, Euroclear, Clearstream 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 Notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global Notes for certificated notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such certificated notes. In all cases, certificated notes delivered in exchange for any Global Notes or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Certificated notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first class postage prepaid, in the mails of the relevant jurisdiction (if intended for the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or JV Subsidiary Guarantor or if intended for the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company and each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will irrevocably (i) submit to the non-exclusive jurisdiction of any U.S. federal or New York State court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee (if any), the Indenture or any transaction contemplated thereby and (ii) designate and appoint Corporation Service Company for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes 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 which the Capital Stock of the Subsidiary Guarantors are pledged as described under "— Security" is expected to be governed under the laws of Hong Kong.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under 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 December 15, 2018, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield in 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 (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) 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 (i) or (ii). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the Notes at the maturity date of the Notes plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an Investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Restricted Subsidiary or sale of Capital Stock of any other 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:

- (a) sales, transfers 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;
- (b) 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;
- (c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (d) 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;
- (e) any, transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (f) a transaction covered by the covenant under the caption “—Consolidation, Merger and Sale of Assets;” and
- (g) 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, including any period for which such lease has been extended.

“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 secured by a pledge of one or more bank accounts or cash deposits of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa or to in effect remit Renminbi or foreign currencies outside the PRC or vice versa.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock but excluding debt securities convertible or exchangeable into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders collectively are the beneficial owners of less than 40.0% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of the total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election or nomination to 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 or nomination was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or

- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking, *société anonyme*.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee, pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a comparable maturity to December 15, 2018 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to December 15, 2018.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is available, Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable 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 (including, for the avoidance of doubt, any capitalized interest included in cost of sales in conformity with GAAP),
- (2) income taxes (other than income taxes attributable to extraordinary and non recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than the accrual of revenue in the ordinary course of business and 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 (i) 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 the Restricted Subsidiaries and (ii) in the case of any 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 (i) Consolidated Interest Expense for such period and (ii) 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 but less the amount of interest income from Bank Deposit Secured Indebtedness, if any, 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, (i) interest expense attributable to Capitalized Lease Obligations, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) 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, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), and (vii) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (A) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (B) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of

association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

- (4) the cumulative effect of a change in accounting principles;
- (5) any net after-tax gains realized on the sale or other disposition of (A) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (B) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after-tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of calculating the Consolidated Net Income (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 purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after-tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries prepared in accordance with GAAP (which the Company shall use its reasonable best efforts to compile in a timely manner), 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 the 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.

“Convertible Notes” means the US\$120,000,000 Convertible Notes due 2020 issued by the Company on January 23, 2015.

“Currency Agreement” means any foreign exchange contract, currency swap agreement, currency option agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior

to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “Limitation on Asset Sales” and “Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “Limitation on Asset Sales” and “Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that, such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any bona fide underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any bona fide 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 Person 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 S.A./N.V.

“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.

“Fitch” means Fitch Ratings Inc. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Two Semi-annual Periods”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Periods. In making the foregoing calculation:

- (A) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Two Semi-annual Periods and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement in effect on the last day of such Two Semi-annual Periods), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption,

Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

- (B) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (C) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (D) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (E) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or consolidated 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 two semi-annual 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 International Financial Reporting Standards, formulated by the International Accounting Standards Board, or generally accepted accounting principles in Hong Kong, as in effect from time to time.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by

such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, or (2) Entrusted Loans; *provided* that such item is not reflected on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings or indebtedness 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*

- (A) 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,
- (B) 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
- (C) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to (a) zero if Incurred pursuant to paragraph (b)(6) under the “Limitation on Indebtedness and Preferred Stock” covenant or (b) the net amount that would be payable by such Person if such Hedging Obligation were terminated at that time, if not Incurred under such covenant.

“Independent Financial Advisor” means an accounting, appraisal or investment banking firm of international standing, *provided* that such firm is not an Affiliate of the Company.

“Independent Third Party” means any Person that is not an Affiliate of the Company. “Intercreditor Agreement” has the meaning set forth under “—Security.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (i) any direct or indirect advance, loan or other extension of credit to another Person,
- (ii) 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),
- (iii) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or
- (iv) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and is guaranteed by such Person.

“Invest,” “Investing” and “Invested” shall have corresponding meanings.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (i) 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 proportional 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 (ii) 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 an equivalent rating representing one of the four highest rating categories by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or any of them, as the case may be.

“Investment Property” means any property that is owned and held by any PRC Restricted Subsidiary for long-term rental yield or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor which is not a Subsidiary of another JV Subsidiary Guarantor, together with 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).

“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 and its successors.

“Net Cash Proceeds” means:

- (a) 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:
 - (1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (2) 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;
 - (3) 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;
 - (4) 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
- (b) 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 attorney’s fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guaranteed Portion” means, at any time of determination, with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries, the aggregate value (without duplication) of the equity interests held by each Independent Third Party in any JV Subsidiary Guarantor as determined by multiplying (x) the consolidated total assets as shown on the balance sheet of the relevant JV Subsidiary Guarantor for its most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (or, in the case of the JV Subsidiary Guarantor executing such JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of such fiscal quarter as shown on the balance sheet of such JV Subsidiary Guarantor, after giving pro forma effect to either the sale or issuance of Capital Stock to the relevant Independent Third Parties or the other transactions following which it became a JV Subsidiary Guarantor (as applicable)) by (y) the proportionate ownership of all Capital Stock held by such Independent Third Party in such JV Subsidiary Guarantor, *provided* that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets which would be eliminated from the calculation of Total Assets as of the end of the relevant fiscal quarter, shall be excluded from the calculation of consolidated total assets in clause (x) above.

“Non-Guarantor Subsidiaries” means the Restricted Subsidiaries that do not provide Subsidiary Guarantees or JV Subsidiary Guarantees for the Notes.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

The Company shall (a) one Business Day prior to the Offer to Purchase Payment Date accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) one Business Day prior to the Offer to Purchase Payment Date deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) on the Offer to Purchase Payment Date, deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to

make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the directors or 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*, that with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be a counsel to the Company.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Other Financing” means Indebtedness that may be in the form of receivables financing (including, among others, sale of receivables to Independent Third Parties on a recourse basis or borrowing against receivables) or other alternative financing (including financing relating to lending activities) for any Permitted Business.

“Pari Passu Subsidiary Guarantee” means a Guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (including Additional Notes); *provided that* (i) the Company, or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant under the caption “Limitation on Indebtedness and Preferred Stock” and (ii) such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “—Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “—Limitation on Asset Sales,” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Business” 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, which business, for avoidance of doubt, shall include (1) logistics and storage business, (2) online and traditional platforms for sales, trading and exchange of goods and services, (3) business of providing trade financing and small commercial loans to customers, and (4) online payment platform.

“Permitted Holders” means any or all of the following:

- (1) Most Trend Holdings Limited, Wong Sheung Tak, Wong Choi Hing, Huang Dehong, Wang Dekai, Wang Desheng, Wang Jianli, Wang Quanguang and Wang Dewen or their respective spouses or family members or any trust established by Most Trend Holdings Limited, Wong Sheung Tak, Wong Choi Hing, Huang Dehong, Wang Dekai, Wang Desheng, Wang Jianli, Wang Quanguang and Wang Dewen for their own benefit or for the benefit of any of their family members;
- (2) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of Affiliate) of any 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 one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means any of the following:

- (1) any Investment in the Company or a Restricted Subsidiary, directly or indirectly through one or more Restricted Subsidiaries, 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, directly or indirectly through one or more Restricted Subsidiaries, 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, directly or indirectly through one or more Restricted Subsidiaries, in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances made in the ordinary course of business 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 not for speculation and designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “—Limitation on Asset Sales;”
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—Limitation on Liens;”
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims, welfare and social benefits, property maintenance and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary, or prepayments made in connection with, the acquisition of real property or land

use rights, personal property (including but not limited to Capital Stock) by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

- (16) advances or prepayments to government authorities or bodies or government-affiliated entities in connection with the financing of primary land development, land clearance or land resettlement in the PRC in the ordinary course of business that are recorded as assets in the Company's balance sheet;
- (17) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (18) repurchases of the Notes; and
- (19) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; *provided* that:
 - (i) such Investment, together with the aggregate of all other Investments made under this clause (19) since the Original Issue Date, shall not exceed in aggregate an amount equal to 15% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) since the Original Issue Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (19), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause (19) of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (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, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person under this clause (19), 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);
 - (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;
 - (iii) none of the other shareholders or partners in such Person in which such Investment was made is a Person described in clause (x) or (y) of the first paragraph of the covenant under the caption "—Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner 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); and
 - (iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made.

“Permitted Liens” means any of the following:

- (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) any interest or title of a lessor in the property subject to any operating lease;
- (7) 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;
- (8) Liens in favor of the Company or any Restricted Subsidiary;
- (9) Liens arising from the attachment or rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (10) 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;
- (11) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (b)(6) of the covenant described under the caption “Limitation on Indebtedness and Preferred Stock;”
- (12) Liens existing on the Original Issue Date;
- (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) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(5) 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;

- (16) Deposits made or liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (b)(7) 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 or assets; *provided that* (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (b)(8) of the covenant under the caption entitled “Limitation on Indebtedness and Preferred Stock” and, with respect to the Indebtedness of the type described under clause (b)(8)(ii) under the caption entitled “Limitation on Indebtedness and Preferred Stock,” such Lien is created prior to, at the time of or within 180 days after the acquisition or the completion of development, construction or improvement of such property or assets, or the due date of the relevant cost or payment for land clearance or resettlement, as the case may be, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of property or assets, subject to acquisition, development, construction or improvement, or the cost or payment for land clearance or resettlement of such property or assets, as the case may be, and (c) such Lien shall not extend to or cover any property or assets other than such item of property or assets 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 or payment if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including but not limited to Capital Stock) 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;
- (21) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers’ compensation claims, welfare and social benefits and other purposes specified by statute or regulations in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on assets securing Indebtedness permitted to be Incurred under clause (b)(14) of the covenant described under the caption entitled “Limitation on Indebtedness and Preferred Stock;”
- (23) Liens securing Indebtedness permitted to be Incurred by the Company or any Restricted Subsidiary under clause (b)(15) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (24) Liens Incurred on cash deposits or bank accounts made to secure Bank Deposit Secured Indebtedness of the type described under clause (b)(16) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”

- (25) Liens on the Capital Stock of a PRC Project Company granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, the Indebtedness permitted to be Incurred under clause (b)(17) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (26) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary permitted to be Incurred under clause (b)(18) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (27) 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 (b)(19) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;” and
- (28) Liens Incurred on deposits made to secure Entrusted Loans,

provided that, with respect to the Collateral, “Permitted Liens” shall only refer to the Liens described in clauses (1), (7), (13) and (14).

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “Security—Permitted Pari Passu Secured Indebtedness.”

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries (other than the Subsidiary Guarantors), taken as a whole; *provided that*, on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses (b)(1), (b)(2), (b)(4), (b)(6) and (b)(7) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PingAn” means Pingan Real Estate Capital Limited (formerly known as Pingan Real Estate (HongKong) Company Limited) and its Affiliates.

“PRC” means the People’s Republic of China, excluding, solely for purposes of this definition, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 31, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as 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 Project Company” means any corporation, association or other business entity organized under the laws of the PRC primarily engaged in a Permitted Business which, at any time, is treated as a “subsidiary” of the Company under GAAP, other than an Unrestricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the

Company or any Restricted Subsidiary; *provided that*, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Rating Agencies” means (i) S&P, (ii) Moody’s and (iii) Fitch or provided that if S&P, Moody’s, Fitch or any of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s or Fitch or any of them, as the case may be.

“Rating Category” means (i) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (ii) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (iii) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C,” or “D” (or equivalent successor categories); and (iv) the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1,” “2” and “3” for Moody’s; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB”, as well as from “BB-” to “B+”, will constitute a decrease of one gradation).

“Rating Date” means (i) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control, or (ii) 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 (i) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (ii) in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade: or
- (d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or asset, which is primarily engaged in a Permitted Business and is or will become, upon the acquisition by the Company or any Restricted Subsidiary of such Capital Stock, a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Secured Party Documents” mean, collectively, the indenture governing the Convertible Notes, the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

“Security Agent” means Citicorp International Limited or its successors or assigns.

“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 Security Agent, the Trustee and/or any Holders in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (1) 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 (2) 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 (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity, which shall be made in compliance with the covenant under the caption “—Limitation on Restricted Payments.”

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided that* Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided that* a Subsidiary Guarantor Pledgor will not include any Person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, shall be rated at least “A” by S&P or Moody’s;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 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 U.S. Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof, or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Bank of Ganzhou Co., Ltd., Industrial and Commercial Bank of China Limited, Bank of Communications Co., Ltd., Bank of Lanzhou Co., Ltd., Bank of Nanchang Co., Ltd., Fucheng Rural Credit Cooperative Union of Mianyang, Ping An Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Ganzhou Rural Commercial Bank, Industrial Bank Co., Ltd., China Merchants Bank Co., Ltd., China Everbright Bank Co., Ltd., China Construction Bank Corporation, China Minsheng Banking Corp., Ltd., Agricultural Bank of China Limited, Bank of China Limited, Postal Savings Bank of China Co., Ltd., China CITIC Bank Corporation Limited, The Hongkong and Shanghai Banking Corporation Limited, Xiamen International Bank Co., Ltd., Weihai City Commercial Bank Co., Ltd., Evergrowing Bank Co., Ltd., China Rural Commercial Bank, Shandong Shengtai Rural Cooperative Bank, Bank of Jining Co., Ltd., China Bohai Bank Co., Ltd., Jining Rushang Rural Bank Co., Ltd., Gansu Yuzhong Rural Cooperative Bank, Bank of Gansu Co., Ltd. and Wing Lung Bank Ltd., (ii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong whose long-term debt is rated as high or higher than any of those banks listed in clause (i), or (iii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong, *provided* that, in the case of clause (iii), such deposits do not exceed US\$10.0 million (or the Dollar Equivalent thereof) with any single bank or US\$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong 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 for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that, only with respect to clause (b)(8) of the “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, in each case as of such date, 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; *provided further* that, only with respect to the calculation of “Non-Guaranteed Portion,” in the case of a JV Subsidiary Guarantor executing a JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) or annual period, the amount of Total Assets shall be calculated after giving *pro forma* effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties; and *provided further* that, with respect to the calculation of the percentage of Total Assets represented by the Consolidated Assets of the Offshore Non-Guarantor Subsidiaries, the amount of Total Assets shall be calculated after giving *pro forma* effect to any sale or issuance of Capital Stock to relevant Independent Third Parties.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution, including but not limited to a bank, a trust company, a securities management company, an asset management company or an insurance company organized under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Project Company.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong, PRC and European Union tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands Taxation

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

British Virgin Islands Taxation

There is no income or other tax in the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong Taxation

The following summary is only based on current Hong Kong legislation, and is therefore subject to change by any future amendments of the law which could affect the Notes.

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal, interest or additional amounts, if any, in respect of the Notes.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong, or the Note continues to be denominated in US dollars and cannot in any extent be redeemed in Hong Kong dollars).

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, exchange or redemption of the Notes where such sale, disposal, exchange or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on or in respect of the Notes also will be subject to Hong Kong profits tax where such interest is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and the income arises through or from the carrying on by the financial institution of its business in Hong Kong;
- 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 payments are in respect of the funds of the trade, profession or business.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes to non-resident enterprises is based upon applicable laws, rules and regulations in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest

The PRC EIT Law and its implementation regulations, effective January 1, 2008, impose a tax at the rate of 10% on interests paid to holders of the Notes that are “non-resident enterprises” so long as such “non-resident enterprise” holder does not have an establishment or place of business in China or, if there is an establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interests are sourced within China. Pursuant to these provisions of the PRC tax law, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the interest payable to the non-resident enterprise holders on the Notes may be treated as income derived from sources within China and be subject to the PRC withholding tax. Such interest payable to non-resident individual investors may be subject to PRC income tax at the rate of 20%. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate will apply to qualified investors in the Notes.

Taxation on Capital Gains

The PRC EIT Law and its implementation regulations impose a tax at the rate of 10% on capital gains realized by holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, if there is an establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the PRC EIT law, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to the PRC tax. Such capital gains to non-resident individual investors may be subject to PRC income tax at the rate of 20%. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate will apply to qualified investors in the Notes.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC, as is expected to be the case) of a Note.

European Union Savings Directive

Under European Union Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), each member state of the European Union is required to provide to the tax authorities of another member state details of payments of interest (or similar income) made by a person within its jurisdiction to, or collected by such person for, an individual resident in that other member state or to certain limited types of entities established in that other member state. However, for a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-European Union countries and territories, including Switzerland, have adopted similar measures.

However, on November 10, 2015, the Council of the European Union adopted a Council Directive repealing the EU Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other member states (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, or accounting for withholding taxes on, payments made before those dates and to certain other transitional provisions in the case of Austria). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the global standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Savings Directive, although it does not impose withholding taxes. The agreements with non-EU countries on the basis of the Directive are being revised to be aligned with Council Directive 2011/16/EU (as amended).

PLAN OF DISTRIBUTION

Morgan Stanley & Co. International plc is acting as the sole global coordinator of the offering and Morgan Stanley & Co. International plc and SC Lowy Financial (HK) Ltd. are acting as the Initial Purchasers. Subject to the terms and conditions stated in the purchase agreement dated December 8, 2015, the Initial Purchasers have, severally and not jointly, agreed to purchase, and we have agreed to sell to the Initial Purchasers, the principal amount of the Notes set forth opposite their names in the table below:

Initial Purchasers	Principal Amount of Notes
Morgan Stanley & Co. International plc	US\$88,000,000
SC Lowy Financial (HK) Ltd.	US\$12,000,000
Total	US\$100,000,000

The purchase agreement provides that the Company will pay the Initial Purchasers a customary commission. The purchase agreement provides that the obligations of each Initial Purchaser to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes directly to investors at the offering price set forth on the cover page of this offering circular only outside the United States in reliance on Regulation S under the Securities Act. See “Transfer Restrictions.” The price at which the Notes are offered may be changed at any time without notice. Private banks and other similar clients may receive a commission based on the principal amount of the Notes purchased by their private bank clients, which commission may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

We have agreed that, for a period of 90 days from the date on which the Notes are issued, we, the Subsidiary Guarantors and the JV Subsidiary Guarantors will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition, directly or indirectly, or announce the offering, of any debt securities (having a tenor of more than one year) issued or guaranteed by us or any Subsidiary Guarantor. The Initial Purchasers in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The Notes will constitute a new class of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. However, the prices at which the Notes will sell in the market after this offering may be lower than the initial offering price and an active trading market for the Notes may not develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, there may not be liquidity, or a trading market, for the Notes.

The Initial Purchasers (or their respective affiliates) may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit Morgan Stanley & Co. International plc (as stabilizing manager) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Company nor the Initial Purchasers make any representation that the Morgan Stanley & Co. International plc (as stabilizing manager) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering circular, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their respective affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. We, the Subsidiary Guarantors and the JV Subsidiary Guarantors have, jointly and severally, agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering circular or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering circular nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States and may only be offered or sold outside the United States in compliance with Regulation S under the Securities Act. See “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Initial Purchasers have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of such Act does not apply to Initial Purchasers and the Initial Purchasers have complied and will comply with all

applicable provisions of such Act with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes will not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) and any rules made thereunder; or (ii) in other circumstances which do not result in any such document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of being issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes may not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

- an institutional investor (as defined in Section 4A of the SFA);
- a relevant person (as defined in Section 275(2) of the SFA); or
- any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (the “SFR”).

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- 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
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor (as defined in Section 4A of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA) or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 32 of the SFR.

PRC

This offering circular does not constitute a public offer of the Notes, whether by sale or by subscription, in the PRC. The Notes will not be offered or sold within the PRC by means of this offering circular or any other document.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the notes but the notes may be acquired by British Virgin Islands persons who receive the offer of the notes outside of the British Virgin Islands and in a manner which does not contravene the laws of the jurisdiction in which such offer is received.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Notes have not been registered under the Securities Act or any other applicable securities laws;
 - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
 - the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the Securities Act.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering circular. You represent that you are relying only on this offering circular in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.
5. You acknowledge that we, the Initial Purchasers, the Trustee, and the Agents and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us, the Trustee, and the Agents and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.
6. You also acknowledge that this offering circular has not been and will not be registered as a prospectus with the MAS. Accordingly, you have represented, warranted and agreed that you have not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will you circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

RATINGS

Moody's has assigned a corporate rating of "B2" to the Company with a stable outlook, S&P has assigned a corporate rating of "B" to the Company with a stable outlook, and Fitch has assigned a corporate rating of "B" to the Company with a stable outlook. The Notes are expected to be rated "B3" by Moody's, "B-" by S&P and "B" by Fitch. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. The ratings may not remain in effect for any given period and the ratings may be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Kirkland & Ellis as to matters of United States federal law, New York law and Hong Kong law, Global Law Office as to matters of PRC law and Maples and Calder as to matters of Cayman Islands law and British Virgin Islands law. Certain legal matters will be passed upon for the Initial Purchasers by Sidley Austin as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT AUDITOR

Our consolidated financial statements as of and for the years ended December 31, 2013 and 2014 reproduced in this offering circular have been audited by KPMG, Certified Public Accountants, Hong Kong, as stated in their reports included herein.

With respect to the unaudited financial information as of and for the six months ended June 30, 2015, reproduced in this offering circular, KPMG has reviewed the financial information 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 as stated in its review report appearing herein. The review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable them to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, they do not express an audit opinion. The degree of reliance on such information should be restricted in light of the limited nature of the review procedures applied.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes, the Subsidiary Guarantees and the JV Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by our board of directors.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the past two fiscal years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the registered office of the Issuer.

Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
Regulation S Notes	XS1332095659	133209565

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of the Notes to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or any of their respective subsidiaries or associated companies (if any), the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded, will be traded on the SGX-ST in a minimum board lot size of US\$200,000. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the definitive notes representing the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

INDEX TO FINANCIAL INFORMATION

Page references included in the consolidated financial statements of the Group as of and for each of the years ended December 31, 2013 and 2014 and as of and for the six months ended June 30, 2015 set forth below refer to pages in such consolidated financial statements as set forth in the Group's annual reports for the years ended December 31, 2013 and 2014 and the Group's interim report for the six months ended June 30, 2015, as the case may be. The relevant annual reports and interim report are not incorporated by reference herein and do not form part of this offering circular.

Interim Consolidated Financial Report for the Six Months Ended June 30, 2015

	Page	2015 Interim Report
Independent Auditor's Report	F-2	46
Consolidated Statement of Profit or Loss	F-4	48
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-5	49
Consolidated Statement of Financial Position	F-6	50
Consolidated Statement of Changes in Equity	F-8	52
Condensed Consolidated Cash Flow Statement	F-11	55
Notes to Unaudited Interim Financial Report	F-12	56

Consolidated Financial Statements for the Year Ended December 31, 2014

	Page	2014 Annual Report
Independent Auditor's Report	F-45	96
Consolidated Statement of Profit or Loss	F-47	98
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-48	99
Consolidated Statement of Financial Position	F-49	100
Statement of Financial Position	F-51	102
Consolidated Statement of Changes in Equity	F-52	103
Consolidated Cash Flow Statement	F-54	105
Notes to the Financial Statements	F-56	107

Consolidated Financial Statements for the Year Ended December 31, 2013

	Page	2013 Annual Report
Independent Auditor's Report	F-174	93
Consolidated Statement of Profit or Loss	F-176	85
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-178	97
Consolidated Statement of Financial Position	F-179	98
Statement of Financial Position	F-181	100
Consolidated Statement of Changes in Equity	F-183	102
Consolidated Cash Flow Statement	F-185	104
Notes to the Financial Statements	F-187	106

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



Review report to the board of directors of Hydo International Holding Limited
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 48 to 88 which comprises the consolidated statement of financial position of Hydo International Holding Limited (the "Company") as of 30 June 2015 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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.

致毅德國際控股有限公司董事會的審閱報告
(於開曼群島註冊成立的有限公司)

緒言

吾等已審閱第48頁至第88頁所載中期財務報告，其中包括毅德國際控股有限公司（「貴公司」）於2015年6月30日的合併財務狀況表以及截至該日止六個月期間的相關合併損益表、合併損益及其他全面收益表、合併權益變動表及簡明合併現金流量表以及說明附註。香港聯合交易所有限公司證券上市規則規定中期財務報告應根據其相關條文及國際會計準則理事會頒佈的國際會計準則第34號中期財務報告而編製。董事須負責根據國際會計準則第34號編製及呈列中期財務報告。

吾等的責任為根據吾等的審閱對中期財務報告作出結論，並根據吾等協定的委聘條款僅向董事會整體呈報，除此之外本報告不作其他用途。吾等不會就本報告內容向任何其他人士負上或承擔任何責任。

審閱範圍

吾等已根據香港會計師公會頒佈的香港審閱工作準則第2410號「實體的獨立核數師對中期財務資料的審閱」進行審閱。中期財務報告的審閱工作包括主要向負責財務會計事宜的人士詢問，並實施分析及其他審閱程序。審閱的範圍遠小於根據香港審計準則所進行的審核，故不能保證吾等會注意到審核中可能會被發現的所有重大事宜。因此吾等不會發表審核意見。



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

31 August 2015

結論

根據吾等的審閱，吾等並無注意到任何事項，致使吾等相信截至2015年6月30日的中期財務報告在各重大方面未有根據國際會計準則第34號中期財務報告編製。

畢馬威會計師事務所

執業會計師

香港中環

遮打道10號

太子大廈8樓

2015年8月31日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

合併損益表

for the six months ended 30 June 2015 - unaudited

截至2015年6月30日止六個月－未經審核

(Expressed in Renminbi)

(以人民幣表示)

		Six months ended 30 June 截至6月30日止六個月		
		Note 附註	2015 2015年 RMB'000 人民幣千元	2014 2014年 RMB'000 人民幣千元
Turnover	營業額	4	950,165	974,115
Cost of sales	銷售成本		(511,981)	(354,229)
Gross profit	毛利		438,184	619,886
Other revenue	其他收益	5	64,138	3,576
Other net income	其他收入淨額	5	1,106	32,875
Selling and distribution expenses	銷售開支		(82,791)	(72,880)
Administrative and other operating expenses	行政及其他經營開支		(239,535)	(218,289)
Profit from operations before fair value gain on investment properties	投資物業公允值收益前經營利潤		181,102	365,168
Fair value gain upon transfer of completed properties held for sale to investment properties	轉撥待售已完工物業至 投資物業的公允值收益	10	277,643	—
Profit from operations after fair value gain on investment properties	投資物業公允值收益後經營利潤		458,745	365,168
Fair value change on embedded derivative component of the convertible notes	可轉股票據的嵌入式衍生 部分的公允值變動	18	59,264	—
Finance income	財務收入	6(a)	7,396	7,837
Finance costs	融資成本	6(a)	(65,263)	(808)
Profit before taxation	除稅前利潤	6	460,142	372,197
Income tax	所得稅	7	(179,448)	(153,114)
Profit for the period	期內利潤		280,694	219,083
Attributable to:	以下各方應佔：			
Equity shareholders of the Company	本公司權益股東		271,081	220,896
Non-controlling interests	非控股權益		9,613	(1,813)
Profit for the period	期內利潤		280,694	219,083
Earnings per share	每股盈利	8		
Basic (RMB cents)	基本(人民幣分)		6.8	5.5
Diluted (RMB cents)	攤薄(人民幣分)		5.8	5.4

The notes on pages 56 to 88 form part of this interim financial report. Details of dividends to equity shareholders of the Company are set out in note 20(a).

第56至88頁所載附註構成本中期財務報告的部分。本公司權益股東應佔股息詳情載於附註20(a)。

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

合併損益及其他全面收益表

for the six months ended 30 June 2015 - unaudited
截至2015年6月30日止六個月－未經審核
(Expressed in Renminbi)
(以人民幣表示)

		Six months ended 30 June	
		截至6月30日止六個月	
		2015	2014
		2015年	2014年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit for the period	期內利潤	280,694	219,083
Other comprehensive income for the period (after tax and reclassification adjustments):	期內其他全面收入 (扣除稅項及重新分類調整)		
Items that may be reclassified subsequently to profit or loss:	其後可能重新分類至損益的項目：		
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	換算中國境外子公司的財務報表 的匯兌差額	1,413	6,903
Available-for-sale investments:	可供出售投資：		
Net movement in fair value reserve	公允價值儲備變動淨額	—	4,790
Other comprehensive income for the period	期內其他全面收入	1,413	11,693
Total comprehensive income for the period	期內全面收入總額	282,107	230,776
Attributable to:	以下各方應佔：		
Equity shareholders of the Company	本公司權益股東	272,494	232,562
Non-controlling interests	非控股權益	9,613	(1,786)
Total comprehensive income for the period	期內全面收入總額	282,107	230,776

The notes on pages 56 to 88 form part of this interim financial report.

第56至88頁所載附註構成本中期財務報告的部分。

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

合併財務狀況表

at 30 June 2015 - unaudited
於2015年6月30日－未經審核
(Expressed in Renminbi)
(以人民幣表示)

		Note	30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	9	78,855	92,704
Investment properties	投資物業	10	760,000	—
Intangible assets	無形資產		4,144	3,038
Goodwill	商譽		3,631	3,631
Other non-current financial assets	其他非流動金融資產	13(a)	31,187	25,779
Deferred tax assets	遞延稅項資產		335,011	293,572
Prepayment for acquisition of property, plant and equipment	收購物業、廠房及設備的預付款		368,535	368,535
			1,581,363	787,259
Current assets	流動資產			
Inventories	存貨	11	8,633,815	7,688,692
Current tax assets	即期稅項資產		212,644	188,991
Trade and other receivables, prepayments and deposits	貿易及其他應收款項、預付款項及定金	12	1,539,213	1,133,893
Available-for-sale investments	可供出售投資	13(b)	600	37,000
Restricted cash	受限制現金	14	248,300	198,155
Cash and cash equivalents	現金及現金等值物	15	1,402,993	1,819,029
			12,037,565	11,065,760
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付款項	16	4,550,736	3,975,215
Bank loans and other borrowings	銀行貸款及其他借貸	17	801,150	369,500
Convertible notes-interest payable	可轉股票據－應付利息	18	22,539	—
Current tax liabilities	即期稅項負債		817,965	1,054,385
Deferred income	遞延收入	19	911,233	882,313
			7,103,623	6,281,413
Net current assets	流動資產淨值		4,933,942	4,784,347
Total assets less current liabilities	總資產減流動負債		6,515,305	5,571,606

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

合併財務狀況表

at 30 June 2015 - unaudited
於2015年6月30日—未經審核
(Expressed in Renminbi)
(以人民幣表示)

			30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Non-current liabilities	非流動負債			
Bank loans and other borrowings	銀行貸款及其他借貸	17	1,194,000	1,192,600
Convertible notes	可轉股票據	18	701,133	—
Deferred income	遞延收入	19	6,851	5,843
Deferred tax liabilities	遞延稅項負債		69,410	—
			1,971,394	1,198,443
NET ASSETS	資產淨值		4,543,911	4,373,163
Capital and reserves	股本及儲備	20		
Share capital	股本		31,825	31,825
Reserves	儲備		4,341,439	4,260,304
Total equity attributable to equity shareholders of the Company	本公司權益股東應佔權益總額		4,373,264	4,292,129
Non-controlling interests	非控股權益		170,647	81,034
TOTAL EQUITY	權益總額		4,543,911	4,373,163

Approved and authorised for issue by the board of directors on 31 August 2015.

於2015年8月31日經董事會批准及授權刊發。

Wang Jianli

王健利

Chairman and Executive Director

主席兼執行董事

Wang Dewen

王德文

Executive Director and Chief Executive Officer

執行董事兼行政總裁

The notes on pages 56 to 88 form part of this interim financial report.

第56至88頁所載附註構成本中期財務報告的一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the six months ended 30 June 2015 - unaudited
截至2015年6月30日止六個月－未經審核
(Expressed in Renminbi)
(以人民幣列示)

Attributable to equity shareholders of the Company
本公司權益股東應佔

	State capital 股本	Share premium 股份溢價	PRC Statutory reserve 中國法定儲備	Capital reserves 資本儲備	Reserve with non-controlling interests 與非控股權益的交易儲備	Equity settled share-based payment reserve 以權益結算為基礎的儲備	Capital redemption reserve 贖回儲備	Treasury shares 庫存股份	Fair value reserve 公允價值儲備	Exchange reserve 匯兌儲備	Retained profits 保留利潤	Total equity 權益總額	Non-controlling interests 非控股權益	Total equity 權益總額
	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 1 January 2014 於2014年1月1日	31,945	1,254,366	228,451	1,435,617	(51,866)	1,225	—	—	—	27,256	1,483,027	4,421,071	10,717	4,431,788
Changes in equity for six months ended 30 June 2014: 截至2014年6月30日止六個月的權益變動:														
Profit for the period 期內利潤	—	—	—	—	—	—	—	—	—	—	220,896	220,896	(813)	219,083
Other comprehensive income 其他全面收入	—	—	—	—	—	—	—	—	4763	6,903	—	11,666	27	11,693
Total comprehensive income for the period 期內全面收入總額	—	—	—	—	—	—	—	—	4763	6,903	220,896	232,562	(786)	231,776
Repurchase and cancellation of shares 股份購回及註銷	(90)	(24,739)	—	—	—	—	90	—	—	—	—	(24,739)	—	(24,739)
Repurchase of shares (not cancelled) 股份購回(並不註銷)	—	—	—	—	—	—	—	(7,466)	—	—	—	(7,466)	—	(7,466)
Dividends approved in respect of the previous year (Note 20(a)) 過往年度所批准股息 (附註20(a))	—	—	—	—	—	—	—	—	—	—	(624,309)	(624,309)	—	(624,309)
Capital injection by non-controlling interests 非控股權益注資	—	—	—	—	—	—	—	—	—	—	—	—	39,905	39,905
Equity settled share-based transaction 以權益結算以股份為基礎的交易	—	—	—	—	—	1,422	—	—	—	—	—	1,422	—	1,422
At 30 June 2014 於2014年6月30日	31,855	1,229,627	228,451	1,435,617	(51,866)	13,697	90	(7,466)	4763	341,159	1,079,614	3,998,601	48,836	4,047,437

Note 20(b)(i)
附註20(b)(i)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the six months ended 30 June 2015 - unaudited
截至2015年6月30日止六個月一未經審核
(Expressed in Renminbi)
(以人民幣列示)

Attributable to equity shareholders of the Company
本公司權益股東應佔

	State capital 股本	Share premium 股份溢價	PRC Statutory reserve 中國法定儲備	Capital reserves 資本儲備	Reserve with non-controlling interests 與非控股權益的交易	Equity settled share based payment reserve 以權益結算為基礎的儲備	Capital redemption reserve 贖回儲備	Treasury shares 庫存股份	Fair value reserve 公允價值儲備	Exchange reserve 匯兌儲備	Retained profits 保留利潤	Total equity 權益總額	Non-controlling interests 非控股權益	Total equity 權益總額
	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 1 July 2014	31,855	1,229,627	2,284,511	1,435,617	(51,866)	13,697	90	(7,406)	4,763	34,159	1,079,614	3,998,601	48,636	4,047,437
Changes in equity for six months ended														
31 December 2014														
Profit for the period	—	—	—	—	—	—	—	—	—	—	291,157	291,157	(3,775)	287,382
Other comprehensive income	—	—	—	—	—	—	—	—	(4,763)	6,546	—	1,783	(27)	1,756
Total comprehensive income for the period	—	—	—	—	—	—	—	—	(4,763)	6,546	291,157	292,940	(3,802)	289,138
Repurchase and cancellation of shares	(30)	(7,406)	—	—	—	—	30	7,406	—	—	—	—	—	—
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	36,000	36,000
Equity settled share-based transaction	—	—	—	—	—	184	—	—	—	—	404	588	—	588
Appropriation to PRC statutory reserve	—	—	75,129	—	—	—	—	—	—	—	(75,129)	—	—	—
At 31 December 2014	31,825	1,222,221	3,035,580	1,435,617	(51,866)	13,881	120	—	—	40,705	1,296,046	4,292,129	8,034	4,373,163

Note 20(b)(i)
附註20(b)(i)

於2014年7月1日
截至2014年12月31日止六個月
的權益變動：

期內利潤
其他全面收入
期內全面收入總額
股份購回及註銷
非控股權益注資
以權益結算以股份為基礎的交易
轉撥至中國法定儲備

於2014年12月31日

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the six months ended 30 June 2015 - unaudited
截至2015年6月30日止六個月—未經審核
(Expressed in Renminbi)
(以人民幣列示)

		Attributable to equity shareholders of the Company 本公司權益股東應佔										Total equity 權益總額 RMB'000 人民幣千元
		Share capital 股本 RMB'000 人民幣千元	Share premium 股份溢價 RMB'000 人民幣千元	PRC Statutory reserve 中國法定儲備 RMB'000 人民幣千元	Capital reserves 資本儲備 RMB'000 人民幣千元	Reserve transaction with non-controlling interests 與非控股權益的交易 RMB'000 人民幣千元	Equity settled share based payment reserve 以權益結算為基礎的儲備 RMB'000 人民幣千元	Capital redemption reserve 資本贖回儲備 RMB'000 人民幣千元	Exchange reserve 匯兌儲備 RMB'000 人民幣千元	Retained profits 保留利潤 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元	
At 1 January 2015	於2015年1月1日	31,825	1,222,221	303,580	1,433,617	(51,866)	13,881	120	40,705	1,296,046	81,034	4,373,163
Changes in equity for six months ended 30 June 2015:	截至2015年6月30日止六個月的權益變動:											
Profit for the period	期內利潤	—	—	—	—	—	—	—	—	271,081	9,613	280,694
Other comprehensive income	其他全面收入	—	—	—	—	—	—	—	1,413	—	—	1,413
Total comprehensive income for the period	期內全面收入總額	—	—	—	—	—	—	—	1,413	271,081	9,613	282,107
Dividends approved in respect of the previous year (Note 20(a))	過往年度所採性的股息 (附註20(a))	—	(192,485)	—	—	—	—	—	—	—	—	(192,485)
Equity settled share-based transaction	以權益結算以股份為基礎的交易	—	—	—	—	—	457	—	—	669	—	1,126
Capital injection by non-controlling interests (Note 20(c))	非控股權益注資 (附註20(c))	—	—	—	—	—	—	—	—	—	80,000	80,000
At 30 June 2015	於2015年6月30日	31,825	1,029,736	303,580	1,433,617	(51,866)	14,338	120	42,118	1,567,796	170,647	4,543,911

The notes on pages 56 to 88 form part of this interim financial report.

第56至88頁所載附註構成本中期財務報告的一部分。

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

簡明合併現金流量表

for the six months ended 30 June 2015 - unaudited
截至2015年6月30日止六個月－未經審核
(Expressed in Renminbi)
(以人民幣列示)

		Six months ended 30 June	
		截至6月30日止六個月	
		2015	2014
		2015年	2014年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Cash used in operations	經營業務所用現金	(789,952)	(642,481)
PRC taxes paid	已付中國稅項	(411,550)	(313,892)
Net cash used in operating activities	經營活動所用現金淨額	(1,201,502)	(956,373)
Proceeds from/(payment for) available-for-sale investments	可供出售投資所得款項/(付款)	36,400	(722,900)
Prepayment for investment	預付投資款	(245,700)	—
Other cash flows generated from investing activities	投資活動所產生的其他現金流量	1,563	22,104
Net cash used in investing activities	投資活動所用現金淨額	(207,737)	(700,796)
Dividends paid to equity shareholders of the Company	支付予本公司權益股東的股息	(192,485)	(624,309)
Proceeds from new bank loans and other borrowings	新增銀行貸款及其他借貸所得款項	505,000	955,000
Repayment of bank loans and other borrowings	償還銀行貸款及其他借貸	(71,950)	(87,070)
Capital injection by non-controlling interests	非控股權益注資	80,000	39,905
Proceeds from the issue of convertible notes	發行可轉股票據所得款項	736,104	—
Other cash flows used in financing activities	融資活動所用的其他現金流量	(65,584)	(83,590)
Net cash generated from financing activities	融資活動所得現金淨額	991,085	199,936
Net decrease in cash and cash equivalents	現金及現金等值物減少淨額	(418,154)	(1,457,233)
Cash and cash equivalents at 1 January	於1月1日的現金及現金等值物	1,819,029	4,292,994
Effect of foreign exchange rate changes	外匯匯率變動的影響	2,118	6,903
Cash and cash equivalents at 30 June	於6月30日的現金及現金等值物	1,402,993	2,842,664

The notes on pages 56 to 88 form part of this interim financial report.

第56至88頁所載附註構成本中期財務報告的一部分。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

I BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with International Accounting Standard (IAS) 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 31 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

I 編製基準

本中期財務報告乃按照香港聯合交易所有限公司(「聯交所」)證券上市規則的適用披露條文而編製，包括符合國際會計準則理事會(「國際會計準則理事會」)頒佈的國際會計準則(「國際會計準則」)第34號中期財務報告的規定。本中期財務報告獲授權於2015年8月31日刊發。

本中期財務報告乃根據與2014年年度財務報表所採納之相同的會計政策編製，惟預期於2015年年度財務報表反映的會計政策變動除外。有關會計政策的變動詳情載於附註2。

管理層在編製符合國際會計準則第34號的中期財務報告時，須作出年度截至報告日期為止對政策的應用及資產、負債、收入及支出的呈報金額造成影響的判斷、估計及假設。實際結果可能有別於該等估計。

本中期財務報告載有簡明合併財務報表及節選詮釋附註。有關附註包括對了解本集團自2014年年度財務報表以來的財務狀況的變動及表現屬重大的事件及交易的解釋。簡明合併中期財務報表及其附註不包括根據國際財務報告準則(「國際財務報告準則」)編製的整套財務報表所需全部資料。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

I BASIS OF PREPARATION (Cont'd)

The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA. KPMG's independent review report to the Board of Directors is included on pages 46 to 47.

I 編製基準(續)

中期財務報告未經審核，但已由畢馬威會計師事務所根據香港會計師公會頒佈的香港審閱委聘準則第2410號由實體的獨立核數師對中期財務資料的審閱進行審閱。畢馬威會計師事務所致董事會的獨立審閱報告載於第46至47頁。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the interim financial report, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the PRC. The Group does not operate in any other geographical or business segment during the period.

2 會計政策的變動

國際會計準則委員會已頒佈下列於本集團當前會計期間首次生效的國際財務報告準則的修訂本。當中，下列變動與本集團的財務報表有關：

- 國際財務報告準則二零一零年至二零一二年週期之年度改進
- 國際財務報告準則二零一一年至二零一三年週期之年度改進

該等變動概無對本集團當前或過往期間業績及財務狀況的編製或呈列造成重大影響。本集團並無應用於當前會計期間尚未生效的任何新準則或詮釋。

3 分部報告

本集團為分配資源予本集團各項業務及各個地區以及評估各項業務及各個地區的業績，會定期向本集團大多數高級行政管理層提供財務數據及資料。從該等數據及資料中可找出於中期財務報告的經營分部及各分部項目金額。由於本集團於中國主要從事一個分部，故並無呈列本集團的經營分部資料。期內本集團並無於任何其他地區或業務分部經營。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

4 TURNOVER

The principal activities of the Group are development, sales and operation of commercial trade and logistic centers and residential properties in the PRC.

Turnover represents income from sales of properties, property management services income and rental income net of business tax and other sales related taxes and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover during the period are as follows:

4 營業額

本集團的主要業務為在中國進行商貿物流中心以及住宅物業的開發、銷售及經營。

營業額指物業銷售收入、物業管理服務收入及租金收入其中已扣除營業稅及其他銷售相關稅項及任何交易折扣。

期內已於營業額中確認的每項重大收益類別的金額如下：

		Six months ended 30 June	
		截至6月30日止六個月	
		2015	2014
		2015年	2014年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Sales of properties	物業銷售	926,625	964,432
Property management services	物業管理服務	12,551	6,861
Rental income	租金收入	10,660	2,822
Advertising income	廣告收入	329	—
		950,165	974,115

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

5 OTHER REVENUE AND OTHER NET INCOME

5 其他收益及其他收入淨額

		Six months ended 30 June	
		截至6月30日止六個月	
		2015	2014
		2015年	2014年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Other revenue	其他收益		
Dividend income	股息收入	3,567	3,243
Government grants (note (i))	政府補助(附註(i))	59,701	—
Others	其他	870	333
		64,138	3,576
Other net income	其他收入淨額		
Net gains on disposal of available-for-sale investments	出售可供出售投資收益淨額	3,303	32,946
Net loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損淨額	(2,197)	(71)
		1,106	32,875

Note:

- (i) During the six months ended 30 June 2015, the Group transferred certain completed properties held for sale to investment properties(note(10)). The related government grants of RMB 59,701,000(six months ended 30 June 2014: RMB Nil) previously recorded as deferred income (note19(i)) were recognised in profit or loss as other revenue during the period.

附註：

- (i) 於截至2015年6月30日止六個月期間本集團將若干持作出售竣工物業轉撥至投資物業(附註(10))。此前已載錄為遞延收入之人民幣59,701,000元有關政府補助(截至2014年6月30日止六個月：人民幣零元)(附註19(i))已於期內損益中確認為其他收益。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT 未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs:

6 除稅前利潤

除稅前利潤經扣除/(計入)下列各項後
得出：

(a) 財務收入及融資成本：

		Six months ended 30 June 截至6月30日止六個月	
		2015 2015年 RMB'000 人民幣千元	2014 2014年 RMB'000 人民幣千元
Interest income	利息收入	(5,409)	(6,760)
Net foreign exchange gain	匯兌收益淨額	(1,987)	(1,077)
Finance income	財務收入	(7,396)	(7,837)
Interest on convertible notes (note 18)	可轉股票據利息(附註18)	48,113	—
Interest on bank loans and other borrowings	銀行貸款及其他借貸的利息	65,584	51,445
Less: Interest expenses capitalised into properties under development	減：資本化撥入在建物業 的利息開支	(48,434)	(50,637)
Interest expense	利息開支	65,263	808
Finance costs	融資成本	65,263	808

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

6 PROFIT BEFORE TAXATION (Cont'd)

Profit before taxation is arrived at after charging/(crediting): (continued)

(b) Other items:

		Six months ended 30 June	
		截至6月30日止六個月	
		2015	2014
		2015年	2014年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Depreciation and amortisation	折舊及攤銷	15,853	10,860
Operating lease charges	經營租賃支出	29,100	9,584
Cost of properties sold (i)	已售物業成本 (i)	482,084	348,107
Equity settled share-based payments	以權益結算以股份支付為基礎的付款	1,126	1,422

(i) Cost of properties sold is after netting off benefits from government grants of RMB114,207,000 (six months ended 30 June 2014: RMB182,582,000).

6 除稅前利潤(續)

除稅前利潤經扣除/(計入)下列各項後得出：(續)

(b) 其他項目

(i) 已售物業成本是經扣除政府補助人民幣114,207,000元後得出(截至2014年6月30日止六個月：人民幣182,582,000元)。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT 未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

7 INCOME TAX

7 所得稅

		Six months ended 30 June	
		截至6月30日止六個月	
		2015	2014
		2015年	2014年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
<i>Current tax</i>	<i>即期稅項</i>		
PRC Corporate Income Tax	中國企業所得稅	101,779	122,005
PRC Land Appreciation Tax	中國土地增值稅	49,698	87,644
		151,477	209,649
<i>Deferred tax</i>	<i>遞延稅項</i>		
Origination and reversal of temporary differences	暫時性差額的產生及撥回	27,971	(56,535)
		179,448	153,114

(a) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in this jurisdiction.

(b) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax during the period.

(c) PRC Corporate Income Tax ("PRC CIT")

The Group's PRC subsidiaries are subject to statutory tax rate of 25% on their assessable profits.

In July 2013, Ganzhou Hydoo Commercial and Trade Logistics Park Development Company Limited was approved to enjoy a preferential PRC CIT rate of 15% from the years 2012 to 2020 according to a tax notice issued by the local tax bureau. The preferential tax treatment was based on various tax rules and regulations in relation to PRC government's strategy in encouraging investment and development of wholesale trading markets in certain regions in the PRC.

(a) 根據開曼群島規則及法規，本集團於該司法權區毋須繳納任何所得稅。

(b) 由於本集團期內並無賺取任何須繳納香港利得稅的收入，故並無就香港利得稅計提撥備。

(c) 中國企業所得稅（「企業所得稅」）

本集團的中國子公司須就其應課稅利潤按25%的法定稅率繳稅。

2013年7月，贛州毅德商貿物流園開發有限公司根據地方稅務局頒佈的稅務通知獲批自2012年至2020年享受15%的優惠企業所得稅稅率。該稅務優惠是基於與中國政府鼓勵中國若干地區投資及發展的政策有關的多項稅務規則及法規。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

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7 INCOME TAX (Cont'd)

(d) PRC Land Appreciation Tax ("PRC LAT")

PRC LAT which is levied on properties developed for sale by the Group in the PRC, at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures. Deferred tax assets arising from PRC LAT accrued are calculated based on the applicable income tax rates when they are expected to be cleared.

In addition, certain subsidiaries of the Group were subject to PRC LAT which were calculated based on 6% to 8% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging PRC LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Administration of Taxation or any tax bureau of higher authority is remote.

(e) PRC dividend withholding tax

Withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5%.

7 所得稅(續)

(d) 中國土地增值稅(「中國土地增值稅」)

本集團於中國所開發以供銷售的中國物業須按價值增幅以30%至60%的累進稅率繳納土地增值稅，根據適用規例，土地增值稅是按銷售物業所得款項減可扣稅開支(包括土地使用權租賃支出、借貸成本及所有合資格物業開發開支)計算。累計的中國土地增值稅產生的遞延稅項資產於他們預期結算時按適用所得稅稅率計算。

此外，本集團的若干子公司均須繳納中國土地增值稅，有關增值稅按照各自地方稅務局批准的核定計稅方法基於他們收益的6%至8%計算。

本公司董事認為，其獲核准採用的計稅方法是中國認可的計稅方法之一，而本集團中國子公司所在地的各地方稅務局為批准該等公司以核定計稅方法徵收中國土地增值稅的主管稅務機關，故受國家稅務總局或任何上級主管稅務機關質疑的風險不大。

(e) 中國股息預扣稅

香港公司須就因中國子公司於2008年1月1日之後賺取的利潤分派的股息繳納5%的預扣稅。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB271,081,000 (six months ended 30 June 2014: RMB220,896,000) and the weighted average of 4,014,844,000 ordinary shares (six months ended 30 June 2014: 4,026,851,000 ordinary shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company (diluted) of RMB259,930,000 (six months ended 30 June 2014: RMB220,896,000) and the weighted average of 4,455,756,000 ordinary shares (six months ended 30 June 2014: 4,071,239,000 shares) after adjusting for the effect of deemed issue of shares for nil consideration under the Company's Pre-IPO Share Option Scheme (note 21) and the effect of conversion of convertible notes.

Weighted average number of ordinary share (diluted)

8 每股盈利

(a) 每股基本盈利

每股基本盈利按本公司權益股東應佔利潤人民幣271,081,000元(截至2014年6月30日止六個月：人民幣220,896,000元)及普通股加權平均數4,014,844,000股(截至2014年6月30日止六個月：4,026,851,000股)計算。

(b) 每股攤薄盈利

每股攤薄盈利的計算方式為就根據本公司首次公開發售前購股權計劃(附註21)無償視作發行股份以及就轉換可轉股票據的影響作出調整後，本公司權益股東應佔攤薄後利潤人民幣259,930,000元(截至2014年6月30日止六個月：人民幣220,896,000元)除以普通股加權平均數4,455,756,000股(截至2014年6月30日止六個月：4,071,239,000股)。

普通股加權平均數(攤薄)

		Six months ended 30 June 截至6月30日止六個月	
		2015 2015年 RMB'000 人民幣千元	2014 2014年 RMB'000 人民幣千元
Weighted average number of ordinary shares	普通股加權平均數	4,014,844	4,026,851
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration	根據本公司的首次公開售股前購股權計劃以零對價視作發行股份的影響	22,045	44,388
Effect of conversion of convertible notes	轉換可換股票據的影響	418,867	—
Weighted average number of ordinary shares (diluted)	普通股加權平均數(攤薄)	4,455,756	4,071,239

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

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9 PROPERTY, PLANT AND EQUIPMENT

Additions

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of RMB7,091,000 (six months ended 30 June 2014: RMB14,664,000).

Disposals

Items of property, plant and equipment with a net book value of RMB5,296,000 were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB705,000), resulting in a loss on disposal of RMB2,197,000 (six months ended 30 June 2014: RMB71,000).

9 物業、廠房及設備

添置

於截至2015年6月30日止六個月，本集團以成本人民幣7,091,000元(截至2014年6月30日止六個月：人民幣14,664,000元)收購物業、廠房及設備項目。

出售

於截至2015年6月30日止六個月，賬面淨值人民幣5,296,000元(截至2014年6月30日止六個月：人民幣705,000元)的物業、廠房及設備項目已出售，產生出售虧損人民幣2,197,000元(截至2014年6月30日止六個月：人民幣71,000元)。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

10 INVESTMENT PROPERTIES

During the six months ended 30 June 2015, the Group transferred certain completed properties held for sale to investment properties since there was an actual change in use from sale to earning rental income purpose, which were evidenced by commencement of operating lease as stipulated in the lease agreements entered into by the Group. The Group's investment properties carried at fair value were firstly valued as at 30 June 2015 by Savills Valuation and Professional Services Limited ("Savills"), an independent firm of surveyors. The valuation were carried out by Savills with reference to market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, Savills has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc., between the comparable properties and the subject property. A fair value gain of RMB277,643,000 (six months ended 30 June 2014: RMB Nil), and corresponding deferred tax of RMB69,411,000 (six months ended 30 June 2014: RMB Nil), upon the transfer had been recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

Certain bank loans granted to the Group were jointly secured by investment properties with a book value of RMB174,400,000 (31 December 2014: RMB Nil) (note 17).

The Group's investment properties are held on leases of between 3 to 15 years in the PRC.

10 投資物業

於截至2015年6月30日止六個月期間，由於本集團訂立租賃協議開始經營租賃導致若干持作出售竣工物業的用途實際更改為賺取租金收入，因此，本集團將若干持作出售竣工物業轉撥至投資物業。本集團的投資物業按公允值入賬，並於2015年6月30日由獨立測量師公司第一太平戴維斯估值及專業顧問有限公司(「第一太平戴維斯」)進行首次估值。該估值由第一太平戴維斯參考物業權益的市值而進行，而該市值擬為物業經適當推銷後，自願買方與自願賣方公平磋商且各方均於知情、審慎及無受脅迫下於估值日期買賣物業的估算價格。於估算中國的物業權益時，第一太平戴維斯已採納投資法(收入法)並計及物業權益的現時租金收入及租約的續約可能性，亦會採納直接比較法，參考附近同類物業的近期成交記錄，並就可資比較物業與有關物業於交易日期、樓齡、樓面面積等方面的差異作出調整。因此，本公司於轉撥後在期內合併損益表內就投資物業確認公允值收益人民幣277,643,000元(截至2014年6月30日止六個月：人民幣零元)，及其遞延稅項人民幣69,411,000元(截至2014年6月30日止六個月：人民幣零元)。

本集團獲授的若干銀行貸款由賬面額人民幣174,400,000元(2014年12月31日：人民幣零元)的投資物業抵押(附註17)。

本集團於中國的投資物業按介乎3至15年的租賃期持有。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

II INVENTORIES

II 存貨

		30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Property development	物業開發		
Properties under development for sale	待售在建物業	4,929,080	3,566,207
Completed properties held for sale	待售已完工物業	2,446,085	2,544,436
Properties held for future development for sale	待售未來待開發物業	1,256,715	1,577,477
		8,631,880	7,688,120
Others	其他		
Low-value consumption goods	低值易耗品	1,935	572
		8,633,815	7,688,692

As at 30 June 2015, certain properties under development for sale, completed properties held for sale and properties held for future development for sale were pledged for certain bank loans granted to the Group (note 17).

於2015年6月30日，若干待售在建物業、待售已完工物業及待售未來待開發物業，已用作本集團獲授若干銀行貸款的抵押(附註17)。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

12 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

12 貿易及其他應收款項、預付款項及定金

		30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Trade and bill receivables	貿易應收款項及應收票據	17,170	27,393
Prepaid business tax and other taxes	預付營業稅及其他稅項	184,382	137,761
Deposits, prepayments and other receivables	定金、預付款項及其他應收款項	1,337,661	968,739
		1,539,213	1,133,893

Ageing analysis:

As at the end of the reporting period, the ageing analysis of trade and bill receivables (net of allowance for doubtful debts) based on the date the relevant trade and bill receivables recognised, is as follows:

賬齡分析

於報告期末，按相關貿易應收款項及應收票據獲確認的日期劃分的貿易應收款項及應收票據(扣除呆賬撥備)的賬齡分析如下：

		30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Within 1 month	1個月以內	10,379	17,971
1 to 3 months	1至3個月	15	4,516
3 to 6 months	3至6個月	3,661	4,906
Over 6 months	6個月以上	3,115	-
		17,170	27,393

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

12 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(Cont'd)

Trade and bill receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding contracts.

In respect of trade and bill receivables, credit risk is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

As at 30 June 2015, the Group has no concentration of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the period.

12 貿易及其他應收款項、預付款項及定金(續)

貿易應收款項及應收票據主要與物業銷售所得款項有關。物業銷售所得款項是根據相應協議條款一次性支付或分期支付。

由於本集團通常於轉讓物業所有權前向買家收取全部款項，因此貿易應收款項及應收票據的信貸風險甚微。

本集團根據營運需要審核及管理應收第三方的其他應收款項的相關風險。

於2015年6月30日，由於本集團擁有龐大的顧客群，故並無信用集中風險。本集團於期內並無錄得重大壞賬虧損。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT 未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

13 OTHER FINANCIAL ASSETS

(a) Other non-current financial assets

	30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Available-for-sale unlisted equity securities 可供出售非上市股本證券	31,187	25,779

(b) Available-for-sale investments

	30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Wealth management products 理財產品	600	37,000

At 30 June 2015, the available-for-sale investments represented short-term unlisted wealth management products issued by banks in the PRC which are either redeemable on demand or with maturities within 12 months.

於2015年6月30日，可供出售投資指由銀行所發行不需應要求贖回或於12個月內到期的短期非上市理財產品的投資。

14 RESTRICTED CASH

At 30 June 2015 and 31 December 2014, the restricted cash were pledged to banks for certain mortgage facilities granted to purchasers of the Group's properties.

14. 受限制現金

於2015年6月30日及2014年12月31日，受限制現金已就授予本集團物業買方的若干按揭融資抵押予銀行。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

15 CASH AND CASH EQUIVALENTS

15 現金及現金等值物

		30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Cash at bank and in hand	銀行存款及現金	1,402,993	1,819,029

At 30 June 2015, included in the Group's cash at bank and in hand are foreign currency deposits of RMB355,745,000 (31 December 2014: RMB265,024,000).

於2015年6月30日，本集團的銀行存款及現金包括人民幣355,745,000元(2014年12月31日：人民幣265,024,000元)的外幣存款。

16 TRADE AND OTHER PAYABLES

16 貿易及其他應付款項

As at the end of the reporting period, the ageing analysis of trade creditors based on invoice date, is as follows:

於報告期末，應付賬款按發票日期的賬齡分析如下：

		30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Due within 1 month or on demand	於1個月內到期或按要求償還	249,380	712,272
Due after 1 month but within 3 months	於1個月後但於3個月內到期	869,714	335,133
Due after 3 months but within 6 months	於3個月後但於6個月內到期	552,741	589,107
Due after 6 months	於6個月後到期	81,900	83,921
Trade and bills payables	貿易應付款項及應付票據	1,753,735	1,720,433
Receipts in advance	預收款項	2,564,741	2,013,186
Other payables and accruals	其他應付及應計款項	232,260	241,596
		4,550,736	3,975,215

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

17 BANK LOANS AND OTHER BORROWINGS

At 30 June 2015, the Group's bank loans and other borrowings were repayable as follows:

17 銀行貸款及其他借貸

於2015年6月30日，本集團的銀行貸款及其他借貸的償還情況如下：

		30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Current	流動		
Secured	有抵押		
– short-term bank loans and other borrowings	– 短期銀行貸款及其他借貸	200,000	145,000
– current portion of secured non-current bank loans and other borrowings	– 有抵押非流動銀行貸款及其他借貸的流動部分	601,150	224,500
		801,150	369,500
Non-current	非流動		
Secured	有抵押		
– repayable after 1 year but within 2 years	– 一年後但兩年內還款	347,260	399,230
– repayable after 2 years but within 5 years	– 兩年後但五年內還款	846,740	793,370
		1,194,000	1,192,600
		1,995,150	1,562,100

At 30 June 2015, the bank loans and other borrowings are all denominated in Renminbi, of which RMB452,000,000 (31 December 2014: RMB417,000,000) bear fixed interest rates and the remainder bear variable interest rates.

於2015年6月30日，銀行貸款及其他借貸均以人民幣計值，其中人民幣452,000,000元(2014年12月31日：人民幣417,000,000元)按固定利率計息，其餘則按浮動利率計息。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

17 BANK LOANS AND OTHER BORROWINGS (Cont'd)

Bank loans and other borrowings bear interest rates ranging from 5.75% to 10.23% per annum for the six months ended 30 June 2015 (2014: 6.40% to 10.23% per annum), and are secured by the following assets:

		30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Properties under development for sale	待售在建物業	1,491,595	981,722
Completed properties held for sale	待售已完工物業	923,798	904,770
Properties held for future development for sale	待售未來待開發物業	399,687	252,088
Investment properties	投資物業	174,400	—
		2,989,480	2,138,580

At 30 June 2015, bank loans of the Group amounted to RMB334,650,000 (31 December 2014: RMB386,600,000) were not in compliance with the imposed covenants. Such non-compliance primarily relates to operating subsidiaries which failed to achieve certain statement of financial position ratio at the end of the reporting period. The directors of the Company are of the view that bank loans amounted to RMB242,650,000 (31 December 2014: RMB291,600,000) are non-current liabilities at 30 June 2015 as the Group has obtained notices from the corresponding banks dated 30 June 2015, which confirmed that the subsidiaries would not be regarded as having breached the covenant and the banks would not demand early repayment from the subsidiaries. The remaining RMB92,000,000 (31 December 2014: RMB95,000,000) was classified as current liabilities in the consolidated statement of financial position at 30 June 2015.

At 30 June 2015, certain secured bank loans of the Group totaling RMB58,500,000 (31 December 2014: RMB58,500,000) were guaranteed by a subsidiary of the Group and a third party.

17 銀行貸款及其他借貸(續)

截至2015年6月30日止六個月，銀行貸款及其他借貸按介乎5.75%至10.23%的年利率(2014年：年利率6.40%至10.23%)計息並以下列資產作抵押：

於2015年6月30日，本集團的銀行貸款合共人民幣334,650,000元(2014年12月31日：人民幣386,600,000元)未遵守所施加的契諾。該未遵守未於報告期末實現若干財務狀況比率指標的營運子公司有關情況主要與未於報告期末實現若干財務狀況比率指標的營運子公司有關。本公司董事認為，於2015年6月30日，有關銀行貸款人民幣242,650,000元(2014年12月31日：人民幣291,600,000元)為非流動負債，因為本集團已於2015年6月30日取得相應銀行的通知。通知確認該等子公司不會被視為違反限制及該等銀行不會要求該等子公司提前還款。餘下人民幣92,000,000元(2014年12月31日：人民幣95,000,000元)於2015年6月30日的合併財務狀況表內獲分類為流動負債。

於2015年6月30日，本集團合共為人民幣58,500,000元(2014年12月31日：人民幣58,500,000元)的若干有抵押銀行貸款由本集團子公司及一名獨立第三方共同提供擔保。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

18 CONVERTIBLE NOTES

On 23 January 2015, the Company issued convertible notes in an aggregate principal amount of US dollars (“US\$”) 120 million due 23 January 2020 (“**Maturity Date**”). The convertible notes bear interest at 7.0% per annum payable semi-annually. Certain subsidiaries of the Group will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Company under the convertible notes.

Unless previously redeemed, repaid, converted or purchased and cancelled, the Company will redeem the convertible notes at 137.48% of its principal amount on the Maturity Date.

The rights of the convertible notes holder to convert the convertible notes into ordinary shares are as follows:

- The convertible notes will be convertible at the option of the holder into ordinary shares at the initial conversion price of HK\$1.956 per share but will be subject to adjustment in the manner provided in the Indenture (“**the Conversion Price**”).
- The number of ordinary shares to be issued on conversion of a convertible notes will be determined by dividing the principal amount of the convertible notes to be converted (translated into HK dollars at the fixed exchange rate of HK\$7.7546 to US\$1.00) by the Conversion Price in effect on the conversion date. A conversion right may only be exercised in respect of one or more notes. If more than one convertible notes held by the same holder is converted at any one time by the same holder, the number of ordinary shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the convertible notes to be converted.

In accordance with the terms and conditions of the convertible notes, the Company shall give the convertible notes holder an internal rate of return of 13.0% upon redemption of the convertible notes under certain circumstances (“**Early Redemption Amount**”).

18 可轉股票據

於2015年1月23日，本公司發行可轉股票據本金合共120百萬美元，於2020年1月23日（「**到期日**」）到期。可轉股票據按年利率7.0%計息，每半年支付一次。各子公司擔保人將就本公司根據可轉股票據應償還的一切款項提供無條件及不可撤回的擔保。

除非過往已贖回、償還、轉換或購回及註銷，本公司將於到期日按本金額的137.48%贖回可轉股票據。

可轉股票據持有人將可轉股票據轉換為普通股的權利如下：

- 持有人可選擇按初步換股價每股1.956港元將可轉股票據兌換為股份，惟可按契約規定調整（「**換股價**」）。
- 轉換可轉股票據將發行的股份數目將按將獲轉換可轉股票據之本金額（按固定匯率7.7546港元兌1.00美元換算為港元）除以於換股日期生效之換股價釐定。僅可就一份或多份票據行使一項換股權。倘同一持有人持有多於一份之可轉股票據在任何一個時間被其轉換，因該轉換將發行的股份數目將按將獲轉換可轉股票據本金總額之基準計算。

根據可轉股票據的條款及條件，於若干情況下贖回可轉股票據時，本公司將給予可轉股票據持有人內部回報率13.0%（「**提早贖回金額**」）。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

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18 CONVERTIBLE NOTES (Cont'd)

The convertible notes holder may require the Company to redeem all or some of such convertible notes at their Early Redemption Amount together with interest accrued and unpaid to the redemption date when (i) the ordinary shares of the Company cease to be listed or admitted to trading or suspended for a period equal to or exceeding 30 consecutive trading days on the Stock Exchange; (ii) there is a change of control, or (iii) the Company fails to meet certain sales targets for the year ending 31 December 2015 and 2016.

In addition, the convertible notes holder shall have the right to require the Company to redeem all or some of such convertible notes at any time on or after 23 January 2018 at its Early Redemption Amount together with interest accrued and unpaid to the redemption date.

Upon giving not less than 30 days' nor more than 60 days' notice to the convertible notes holder, the trustee and the paying and transfer agent, the Company may redeem the convertible notes at a redemption price equal to the Early Redemption Amount on the redemption date fixed by the Company together with accrued and unpaid interest (and any additional tax amounts) if any, to the tax redemption date if (i) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a relevant taxing jurisdiction affecting taxation; or (ii) 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).

As a result of the payment of final dividend in respect of the year ended 31 December 2014 by the Company, the conversion price of the convertible notes was adjusted from HK\$1.956 per share to HK\$1.884 per share effective from 20 May 2015.

The conversion option and the redemption option mentioned above are considered as embedded derivative component of the convertible notes and revalued at each reporting date.

18 可轉股票據(續)

倘(i)本公司普通股不再於聯交所上市或為其接納進行買賣或暫停於其買賣，而有關暫停維持連續30個交易日或以上；(ii)控制權出現變動；或(iii)於2015年及2016年12月31日止年度本公司未能實現某些銷售目標，可轉股票據持有人可要求本公司按提早贖回金額連同截至贖回日期的應計及未付利息贖回全部或部分可轉股票據。

可轉股票據持有人將有權要求本公司於2018年1月23日或其後任何時間按提早贖回金額連同截至贖回日期的應計未付利息贖回全部或部分該等可轉股票據。

倘(a)有關稅收管轄權區影響稅收的法律(或任何規例或據此頒佈的規則)的任何變動或修訂；或(b)關於該等法律、規例或規則(包括具有司法管轄權的法院判決、裁決或頒令)的應用或詮釋的現有官方立場或官方立場聲明出現任何變動，在向可轉股票據持有人、信託人及付款及過戶代理發出不少於30日但不超過60日的通知後，本公司可於本公司釐定的贖回日期按相等於提早贖回金額的贖回價連同(如有)截至贖回日期應計未付利息(及任何額外稅項)贖回可轉股票據。

因本公司派發2014年12月31日止年度相關之末期股息，票據的換股價將由每股1.956港元調整至每股1.884港元，自2015年5月20日起生效。

上述換股權及贖回權被視為可轉股票據的嵌入式衍生工具部分，並於各報告日期進行重估。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

18 CONVERTIBLE NOTES (Cont'd)

The convertible notes recognised in the consolidated statement of financial position of the Group are analysed as follows:

18 可轉股票據(續)

於本集團綜合財務狀況表確認的可轉股票據分析如下：

		Host liability component 主要負債部分 RMB'000 人民幣千元	Derivative component 衍生工具部分 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Net proceeds for the issuance of the convertible notes	發行可轉股票據的 所得款項淨額	525,701	210,403	736,104
Interest expenses (i) (note 6(a))	利息開支 (i) (附註 6(a))	48,113	—	48,113
Change in fair value of derivative component	衍生工具部分公允值的變動	—	(59,264)	(59,264)
Exchange difference	匯兌差異	(1,281)	—	(1,281)
At 30 June 2015	於 2015 年 6 月 30 日	572,533	151,139	723,672
Less: Interest payable due within 1 year	減：於一年內到期的應付利息	(22,539)	—	(22,539)
Non-current portion of convertible notes at 30 June 2015	於 2015 年 6 月 30 日 可轉股票據的非即期部分	549,994	151,139	701,133

(i) Interest expenses

Interest expenses on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 22.21% per annum to the liability component.

(i) 利息開支

可轉股票據的利息開支採用實際利率法以負債部分的實際年利率 22.21% 計算。

(ii) Conversion rights exercised

No convertible notes was converted as at 30 June 2015.

(ii) 已行使的換股權

於 2015 年 6 月 30 日概無轉換可轉股票據。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

19 DEFERRED INCOME

19 遞延收入

		30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Current	流動		
– Government grants (note i)	– 政府補助 (附註i)	911,233	882,313
Non-current	非流動		
– Deferred revenue in relation to sale and operating leaseback arrangement (note ii)	– 有關銷售及經營售後租回安排的遞延收益 (附註ii)	6,851	5,843

Note

- (i) Pursuant to the respective agreements between the Group and local governments, such grants are for subsidising the infrastructure construction of certain projects undertaken by the Group's property development subsidiaries. During the six months ended 30 June 2015, the Group recognised grants of RMB202,828,000 (six months ended 30 June 2014: RMB177,752,000) from certain governments for the Group's projects.
- (ii) In conjunction with certain sales contracts entered into by Jining Hydo Logistics Center Development Company Limited and Wuzhou Hydo Commercial and Trade Centre Development Company Limited for sales of properties, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for terms of 3 to 10 years at agreed rental rates. Upon recognition of the sales of such properties, a portion of the sales proceeds, which represents the excess of sales price over fair value of such properties, is deferred and amortised over the respective terms. During the six months ended 30 June 2015, the deferred revenue arising from such sales and leaseback arrangements amounted to RMB1,008,000 (six months ended 30 June 2014: RMB87,000). The revenue recognised from sales of such properties amounted to RMB3,211,000 during the period (six months ended 30 June 2014: RMB660,000).

附註

- (i) 根據本集團與當地政府簽訂的有關協議，該等補助是為補貼本集團的房地產開發子公司所承建若干項目的基礎設施建設。截至2015年6月30日止六個月，本集團就其項目已確認的若干政府補助為人民幣202,828,000元（截至2014年6月30日止六個月：人民幣177,752,000元）。
- (ii) 基於濟寧毅德物流城開發有限公司與梧州毅德商貿物流城開發有限公司簽訂的若干物業銷售合同，本集團隨後按照協定的租金以經營租賃方式自有關買方租回若干已售物業，租期為3至10年。該等物業確認出售后，其售價超出公允價值部分的款項已遞延並於相關租期攤銷。截至2015年6月30日止六個月，自該出售及售後租回安排產生的遞延收益為人民幣1,008,000元（截至2014年6月30日止六個月：人民幣87,000元）。本期出售該等物業的已確認收益為人民幣3,211,000元（截至2014年6月30日止六個月：人民幣660,000元）。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Board has resolved not to declare any interim dividends for the six months ended 30 June 2015. Dividends paid to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

		Six months ended 30 June 截至6月30日止六個月	
		2015 2015年 RMB'000 人民幣千元	2014 2014年 RMB'000 人民幣千元
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK6 cents per share (six months ended 30 June 2014: HK19.5 cents per share)	於本中期批准及派付的上個財政年度末期股息每股6港仙 (截至2014年6月30日止六個月：19.5港仙)	192,485	624,309

20 股本、儲備及股息

(a) 股息

董事會議決不就截至2015年6月30日止六個月宣派任何中期股息。上個財政年度應佔、於本中期批准及派付的權益股東獲派股息：

(b) Share capital

Authorised and issued share capital

(b) 股本

法定及已發行股本

		At 30 June 2015 於2015年6月30日		At 31 December 2014 於2014年12月31日	
		No. of shares 股份數目 '000 千股	Amount 金額 \$'000 千港元	No. of shares 股份數目 '000 千股	Amount 金額 \$'000 千港元
Authorised: Ordinary shares of HK\$0.01 each	法定： 每股面值0.01港元 的普通股	8,000,000	80,000	8,000,000	80,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

20 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(b) Share capital (Cont'd)

Authorised and issued share capital (Cont'd)

Ordinary shares, issued and fully paid:

20 股本、儲備及股息(續)

(b) 股本(續)

法定及已發行股本(續)

已發行及繳足普通股：

	Note	Par value	Number of	Nominal value of	
	附註	面值	Shares	ordinary shares	
		HK\$	'000	HK\$'000	RMB'000
		港元	千股	千港元	人民幣千元
At 1 January 2014		0.01	4,029,950	40,299	31,945
Shares repurchased and cancelled	(1)	0.01	(15,106)	(151)	(120)
At 31 December 2014, 1 January 2015 and 30 Jun 2015		0.01	4,014,844	40,148	31,825

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

20 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(b) Share capital (Cont'd)

Authorised and issued share capital (Cont'd)

Note:

- (1) During the previous financial year, the Company repurchased 15,106,000 of its own ordinary shares on the Stock Exchange for a total consideration of HK\$40,443,550 (equivalent to approximately RMB32,145,000). All of the 15,106,000 repurchased ordinary shares have been cancelled during the year ended 31 December 2014 and the related issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK\$150,106 (equivalent to approximately RMB120,000) was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of shares of HK\$40,293,444 (equivalent to approximately RMB32,025,000) was charged to the share premium account.

There is no change in ordinary shares during the six months ended 30 June 2015.

(c) Non-controlling interests

During the six months ended 30 June 2015, the Group increased the paid-in capital of Huaiyuan Hydoo Commercial and Trade Center Company Limited by RMB200,000,000, of which RMB80,000,000 was paid up by the non-controlling equity holder.

20 股本、儲備及股息(續)

(b) 股本(續)

法定及已發行股本(續)

附註：

- (1) 於過往財政年度，本公司於聯交所購回其15,106,000股普通股，總代價為40,443,550港元（相等於約人民幣32,145,000元）。2014年15,106,000股購回普通股已予註銷，該等股份的面值已於本公司的已發行股本中扣減。根據開曼群島公司法第37(3)條，註銷股份的面值150,106港元（相等於約人民幣120,000元）的等額金額已由股份溢價轉至股本贖回儲備。股份購回所付溢價40,293,444港元（相等於約人民幣32,025,000元）已於股份溢價儲備賬中扣除。

截至2015年6月30日止六個月，普通股並無變動。

(c) 非控股權益

截至2015年6月30日止六個月，本集團向懷遠毅德商貿物流城有限公司增加實繳資本人民幣200,000,000元，其中人民幣80,000,000元由非控股權益持有人繳足。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

21 EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme (the "Pre-IPO Share Option Scheme"), which was first adopted on 30 November 2011, whereby the directors of the Company were authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. Additional options were further granted to certain employees of the Group on 16 October 2012 and 20 March 2013 respectively. After such grants, a total number of 1,715 share options were granted to employees. Each option gives the holder the right to subscribe for 1 ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

		Number of instruments 投資工具數目	Contractual life of options 購股權合約年期
(i) Options granted on 30 November 2011	(i) 於2011年11月30日 授出的購股權		
– directors	– 董事	325	85 months 85個月
– employees	– 僱員	1,180	85 months 85個月
Vesting date 歸屬日期		Percentage of vested shares 已歸屬股份 的百分比	
31 December 2012	2012年12月31日	25%	
31 December 2013	2013年12月31日	50%	
31 December 2014	2014年12月31日	75%	
31 December 2015	2015年12月31日	100%	

21 以權益結算以股份為基礎的付款

本公司於2011年11月30日首次採納購股權計劃(「首次公開發售前購股權計劃」)，據此，本公司董事獲授權由他們酌情決定，邀請本集團的僱員(包括本集團任何公司的董事)接納購股權以認購本公司股份。額外的購股權分別於2012年10月16日及2013年3月20日再授予本集團若干僱員。在授出該等購股權後，合數為1,715份購股權已授予僱員。每份購股權賦予持有人權利認購本公司1股普通股，並以股份全數結算。

(a) 授出的條款及條件如下：

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT 未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

21 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(a) The terms and conditions of the grants are as follows: (Cont'd)

		Number of instruments 投資工具數目	Contractual life of options 購股權合約年期
(ii) Options granted on 16 October 2012 – employees	(ii) 於2012年10月16日 授出的購股權 – 僱員	191	74 months 74個月
Vesting date 歸屬日期		Percentage of vested shares 已歸屬股份 的百分比	
31 December 2013	2013年12月31日	25%	
31 December 2014	2014年12月31日	50%	
31 December 2015	2015年12月31日	75%	
31 December 2016	2016年12月31日	100%	
(iii) Options granted on 20 March 2013 – directors	(iii) 於2013年3月20日 授出的購股權 – 董事	19	69 months 69個月
Vesting date 歸屬日期		Percentage of vested shares 已歸屬股份 的百分比	
31 December 2014	2014年12月31日	25%	
31 December 2015	2015年12月31日	50%	
31 December 2016	2016年12月31日	75%	
31 December 2017	2017年12月31日	100%	

The options are exercisable from six months after the Company's initial public offering date to 31 December 2018.

購股權可自本公司首次公開發售日期後六個月起至2018年12月31日行使。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

21 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(b) Adjustments on number of options and exercise price:

Pursuant to the relevant terms of the Pre-IPO Share Option Scheme, on 31 October 2013, being the listing date of the share of the Company, each share with a par value of US\$1 each under each option granted was automatically adjusted to 48,000 options and the exercise price of each option was adjusted from HK\$48,654 to HK\$1.014 accordingly.

		Weighted average exercise price 加權 平均行使價	Number of share options 購股權數目
Outstanding at 1 January 2015	於2015年1月1日尚未行使	HK\$1.014港元	68,715,000
Forfeited during the period	期內失效	HK\$1.014港元	(2,660,000)
Outstanding at 30 June 2015	於2015年6月30日尚未行使	HK\$1.014港元	66,055,000
Exercisable at 30 June 2015	於2015年6月30日可予行使	HK\$1.014港元	50,312,500

The Options outstanding at 30 June 2015 had a remaining contractual life of 3.5 years (31 December 2014: 4 years).

根據首次公開發售前購股權計劃的相關條款，於2013年10月31日（即本公司股份的上市日期），每份已授出的購股權下每股面值1美元的各股份已自動調整為48,000份購股權，每份購股權的每股行使價已由48,654港元相應調整為1.014港元。

於2015年6月30日尚未行使購股權的餘下合約年期為3.5年（2014年12月31日：4年）。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT 未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

22 按公允值計量的金融工具

按公允值計量的金融工具

下表呈列於報告期末以經常性準則按公允值計量的金融工具賬面值，並按國際財務報告準則第13號，公允值計量所界定分類為三個公允值級別。公允值計量是參考以下估值方法所使用的輸入數據可觀察性及重要性而分類及釐定其級別：

第一級估值：僅使用第一級數據計量的公允值，即於計量日期在活躍市場對相同資產或負債未經調整的報價

第二級估值：使用第二級數據計量的公允值，即不符合第一級的可觀察數據及未有採用不可觀察的重要數據。不可觀察數據乃指無法取得市場資料的數據

第三級估值：使用不可觀察的重要數據計量的公允值

	Fair value measurements as at 30 June 2015		Fair value measurements as at 31 December 2014	
	Fair value at 30 June 2015	Fair value at 30 June 2015	Fair value at 31 December 2014	Fair value at 31 December 2014
	於2015年6月30日的公允值	分類為第二級的公允值計量	於2014年12月31日的公允值	分類為第二級的公允值計量
	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Recurring fair value Measurements				
Financial assets:				
Available-for-sale investments:				
– Wealth management products	600	600	37,000	37,000
Financial liabilities:				
Derivative component of the convertible notes	151,139	151,139	—	—

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products in Level 2 is the estimated amount that the Group would receive upon expiry or termination at the end of the reporting period, taking into account the related current interest rates.

The fair value of the derivative component of the convertible notes are determined using binomial tree model.

During the period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2014: Nil). The Group's policy is to recognise transfers between levels and fair value hierarchy as at the end of the reporting period in which they occur.

Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 30 June 2015 except for the liability component of the convertible notes, for which the carrying amounts and fair value are RMB572,533,000 and RMB568,565,000, respectively (31 December 2014: Nil).

23 COMMITMENTS

At the end of the reporting period, the Group's outstanding commitments contracted but not provided for in respect of property development expenditure are as follows:

		30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Construction and development contracts	建築及開發合約	2,044,019	1,926,765
Land agreements	土地協議	178,850	330,588
		2,222,869	2,257,353

22 按公允值計量的金融工具 (續)

第二級公允值計量所用的估值方法及輸入數據

第二級的理財產品公允值為估計本集團將於報告期末收取的屆滿或終止金額，當中已計及相關現行利率。

可轉股票據的衍生工具部分的公平值以二叉樹模型釐定。

於本期間內，第一級與第二級之間並無任何轉移，亦無轉入或轉出第三級(2014年12月31日：無)。本集團的政策為於發生公允值等級轉移的報告期間結束時，確認公允值等級中不同級別之間的轉移。

未按公允值列賬的金融資產及負債的公允值

於二零一五年六月三十日及二零一四年十二月三十一日，本集團按成本或攤銷成本列賬之金融工具的賬面值較其公允值並無重大不同，惟以下可轉股票據負債部分除外，其賬面值及公允值分別為人民幣572,533,000元及人民幣568,565,000元(2014年12月31日：無)。

23 承擔

於報告期末，本集團已訂約但並無撥備的物業開發開支的承擔如下：

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

24 CONTINGENT LIABILITIES

Guarantees

The Group 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 any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

	30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,648,414	2,551,035

The directors of the Company consider that it is not probable that the Group will sustain a loss under these guarantees as the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors of the Company also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors of the Company.

24 或然負債

擔保

本集團為若干銀行就本集團物業買方所訂立的按揭貸款而授出的按揭融資提供擔保。根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還欠負的按揭貸款連同違約買方應支付予銀行的任何應計利息及罰款。本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個別房產證及全數繳付按揭貸款(以較早者為準)時為止。

於各報告期末就本集團物業買方獲授的按揭融資而向銀行作出的最高擔保金額如下：

	30 June 2015 2015年 6月30日 RMB'000 人民幣千元	31 December 2014 2014年 12月31日 RMB'000 人民幣千元
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,648,414	2,551,035

本公司董事認為，由於本集團可接管相關物業的所有權並出售有關物業，以收回本集團向銀行支付的任何金額，因此本集團不大可能因該等擔保而遭受損失。本公司董事亦認為，倘買方拖欠償還銀行付款，則相關物業的公允市值能彌補本集團所擔保的未償還按揭貸款。

由於本公司董事認為該等擔保的公允價值極低，故本集團並未就該等擔保確認任何遞延收入。

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

未經審核中期財務報告附註

(Expressed in Renminbi unless otherwise indicated)

(除另有指明外，均以人民幣列示)

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors are as follows:

		Six months ended 30 June	
		截至6月30日止六個月	
		2015	2014
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Wages, salaries and other benefits in kind	薪金、工資及其他實物利益	12,675	9,150
Contribution to defined contribution retirement plans	定額福利供款退休計劃的供款	208	188
Equity settled share-based payments	以權益結算以股份為基礎的付款	288	728
		13,171	10,066

(b) Transactions with related parties

		Six months ended 30 June	
		截至6月30日止六個月	
		2015	2014
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Acquisition of subsidiary from one of the Controlling Shareholders	向一名控股股東收購子公司	—	2,000

25 重大關聯方交易

(a) 主要管理人員薪酬

本集團主要管理人員的薪酬(包括向本公司執行董事支付的金額)如下:

(b) 與關聯方的交易

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



Independent auditor's report to the shareholders of Hydo International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hydo International Holding Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 98 to 224, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

致毅德國際控股有限公司列位股東的獨立核數師報告

(於開曼群島註冊成立的有限公司)

吾等已審核載於第98至224頁的毅德國際控股有限公司(「貴公司」)及其子公司(統稱「貴集團」)的合併財務報表，其中包括於2014年12月31日的合併及公司財務狀況表以及截至該日止年度的合併損益表、合併損益及其他全面收益表、合併權益變動表及合併現金流量表以及重大會計政策概要及其他解釋性資料。

董事就合併財務報表須承擔的責任

貴公司董事須負責根據國際會計準則理事會頒佈的國際財務報告準則及香港公司條例的披露規定編製真實而公允的合併財務報表，並負責董事認為必要的內部控制，以使所編製的合併財務報表並無因欺詐或錯誤而引致重大錯誤陳述。

核數師的責任

吾等的責任是根據吾等對該等合併財務報表的審核發表意見。本報告僅向全體股東報告，除此之外，別無其他目的。吾等不會就本報告內容向任何其他人士負上或承擔任何責任。

吾等已根據香港會計師公會刊發的香港審計準則進行審核。這些準則要求吾等遵守道德規範，並規劃及執行審核，以合理確定合併財務報表是否不存有任何重大錯誤陳述。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2015

審核涉及執行情序以獲取有關合併財務報表所載金額和披露資料的審核證據。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致合併財務報表存在重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製合併財務報表以作出真實而公允反映相關的內部控制，以設計適當的審核程序，但並非對公司內部控制的有效性發表意見。審核亦包括評估董事所採用的會計政策的恰當性及作出的會計估計的合理性，以及評估合併財務報表的整體列報方式。

吾等相信，吾等所獲得的審核證據充足且適當地為吾等的審核意見提供基礎。

意見

吾等認為，該等合併財務報表已根據國際財務報告準則真實而公允地反映 貴公司和 貴集團於2014年12月31日的事務狀況及截至該日止年度 貴集團的利潤和現金流量，並已按照香港公司條例的披露規定妥為編製。

畢馬威會計師事務所

執業會計師
香港中環
遮打道10號
太子大廈8樓

2015年3月25日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

合併損益表

for the year ended 31 December 2014
截至2014年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Note	2014	2013
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Turnover	營業額	3	3,360,189	4,756,464
Cost of sales	銷售成本		(1,961,163)	(1,824,109)
Gross profit	毛利		1,399,026	2,932,355
Other revenue	其他收益	4	5,655	5,353
Other net income	其他收入淨額	4	43,652	14,562
Selling and distribution expenses	銷售開支		(182,263)	(129,464)
Administrative expenses	行政開支		(427,715)	(312,475)
Other operating expenses	其他經營開支		(12,082)	(23,097)
Profit from operations	經營利潤		826,273	2,487,234
Finance income	財務收入	5(a)	19,993	11,079
Finance costs	融資成本	5(a)	(8,840)	(70,183)
Change in fair value of embedded derivative on redeemable convertible preference shares	可贖回可換股優先股嵌入式衍生工具的公允價值變動		—	(103,271)
Profit before taxation	除稅前利潤	5	837,426	2,324,859
Income tax	所得稅	6(a)	(330,961)	(1,148,896)
Profit for the year	年內利潤		506,465	1,175,963
Attributable to:	以下各方應佔：			
Equity shareholders of the Company	本公司權益股東	9	512,053	1,177,782
Non-controlling interests	非控股權益		(5,588)	(1,819)
Profit for the year	年內利潤		506,465	1,175,963
Earnings per share	每股盈利			
Basic (RMB cents)	基本(人民幣分)	10	12.7	40.9
Diluted (RMB cents)	攤薄(人民幣分)	10	12.6	39.4

The notes on pages 107 to 224 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 28(b).

第107至224頁所載附註構成本財務報表的一部分。應付本公司權益股東年度股息的詳情載於附註28(b)。

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

合併損益及其他全面收益表

for the year ended 31 December 2014
截至2014年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit for the year	年內利潤	506,465	1,175,963
Other comprehensive income for the year (after tax and reclassification adjustments)	年內其他全面收入 (經稅項及重新分類調整後)		
Items that may be reclassified subsequently to profit or loss:	其後可能重新分類至損益的項目：		
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China, net of nil tax	換算其他司法權區子公司的財務報表的匯兌差額 (經扣除零稅項)	13,449	11,576
Total comprehensive income for the year	年內全面收入總額	519,914	1,187,539
Attributable to:	以下各方應佔：		
Equity shareholders of the Company	本公司權益股東	525,502	1,189,358
Non-controlling interests	非控股權益	(5,588)	(1,819)
Total comprehensive income for the year	年內全面收入總額	519,914	1,187,539

The notes on pages 107 to 224 form part of these financial statements.

第107至224頁所載附註構成本財務報表的一部分。

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

合併財務狀況表

at 31 December 2014
於2014年12月31日
(Expressed in Renminbi)
(以人民幣列示)

		Note	2014 RMB' 000 人民幣千元	2013 RMB' 000 人民幣千元
		附註		
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	11	92,704	61,031
Intangible assets	無形資產	12	3,038	1,329
Goodwill	商譽	13	3,631	2,252
Other non-current financial assets	其他非流動金融資產	14(a)	25,779	23,618
Deferred tax assets	遞延稅項資產	15(b)	293,572	213,913
Prepayment for acquisition of property, plant and equipment	收購物業、廠房及設備的 預付款項	16	368,535	—
			787,259	302,143
Current assets	流動資產			
Inventories	存貨	18	7,688,692	5,390,826
Current tax assets	即期稅項資產	15(a)	188,991	111,762
Trade and other receivables, prepayments and deposits	貿易及其他應收款項、 預付款項及定金	19	1,133,893	682,941
Restricted cash	受限制現金	20	198,155	103,031
Available-for-sale investments	可供出售投資	14(b)	37,000	120,000
Cash and cash equivalents	現金及現金等值物	21(a)	1,819,029	4,292,994
			11,065,760	10,701,554
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付款項	22	3,975,215	3,828,104
Bank loans and other borrowings	銀行貸款及其他借貸	23	369,500	281,860
Current tax liabilities	即期稅項負債	15(a)	1,054,385	932,982
Deferred income	遞延收入	24	882,313	858,082
			6,281,413	5,901,028
Net current assets	流動資產淨值		4,784,347	4,800,526
Total assets less current liabilities	總資產減流動負債		5,571,606	5,102,669

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

合併財務狀況表

at 31 December 2014
於2014年12月31日
(Expressed in Renminbi)
(以人民幣列示)

			2014	2013
		Note	RMB' 000	RMB' 000
		附註	人民幣千元	人民幣千元
Non-current liabilities	非流動負債			
Bank loans and other borrowings	銀行貸款及其他借貸	23	1,192,600	602,000
Deferred income	遞延收入	24	5,843	5,843
Deferred tax liabilities	遞延稅項負債	15(b)	—	63,038
			1,198,443	670,881
NET ASSETS	資產淨值		4,373,163	4,431,788
Capital and reserves	股本及儲備	28		
Share capital	股本		31,825	31,945
Reserves	儲備		4,260,304	4,389,126
Total equity attributable to equity shareholders of the Company	本公司權益股東應佔權益總額		4,292,129	4,421,071
Non-controlling interests	非控股權益		81,034	10,717
TOTAL EQUITY	權益總額		4,373,163	4,431,788

Approved and authorised for issue by the board of directors on 25 March 2015.

於2015年3月25日獲董事會批准及授權刊發。

Wang Jianli

王健利

Chairman and Executive Director

主席兼執行董事

Wang Dewen

王德文

Executive Director and Chief Executive Officer

執行董事兼行政總裁

The notes on pages 107 to 224 form part of these financial statements.

第107至224頁所載附註構成本財務報表的一部分。

STATEMENT OF FINANCIAL POSITION

財務狀況表

at 31 December 2014
於2014年12月31日
(Expressed in Renminbi)
(以人民幣列示)

		Note	2014	2013
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Non-current assets	非流動資產			
Interests in subsidiaries	於子公司的權益	17	1,317,157	833,926
Current assets	流動資產			
Deposits, prepayments and other receivables	定金、預付款項及其他應收款項	19	1,243,150	1,278,062
Cash and cash equivalents	現金及現金等值物	21(a)	133,275	15
			1,376,425	1,278,077
Current liabilities	流動負債			
Other payables and accruals	其他應付及應計款項	22	30,620	4,596
			30,620	4,596
Net current assets	流動資產淨值		1,345,805	1,273,481
Total assets less current liabilities	總資產減流動負債		2,662,962	2,107,407
NET ASSETS	資產淨額		2,662,962	2,107,407
Capital and reserves	股本及儲備	28		
Share capital	股本		31,825	31,945
Reserves	儲備		2,631,137	2,075,462
TOTAL EQUITY	權益總額		2,662,962	2,107,407

Approved and authorised for issue by the board of directors on 25 March 2015.

於2015年3月25日獲董事會批准及授權刊發。

Wang Jianli
王健利

Chairman and Executive Director
主席兼執行董事

Wang Dewen
王德文

Executive Director and Chief Executive Officer
執行董事兼行政總裁

The notes on pages 107 to 224 form part of these financial statements.

第107至224頁所載附註構成本財務報表的一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the year ended 31 December 2014

截至2014年12月31日止年度

(Expressed in Renminbi)

(以人民幣列示)

Attributable to equity shareholders of the Company

本公司權益股東應佔

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	PRC Statutory reserve	Capital reserve	Reserve - transaction with non-controlling interests	Equity settled share-based payment reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity	
	股本	股份溢價	法定儲備	資本儲備	非控股權益的交易	股份支付為基礎的儲備	匯兌儲備	保留利潤	總計	非控股權益	權益總額	
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
At 1 January 2013	於2013年1月1日	365	—	68,708	393,473	—	6,568	15,680	464,988	949,782	106,285	1,056,067
Changes in equity for 2013:	2013年權益變動：											
Profit for the year	年內利潤	—	—	—	—	—	—	1,177,782	1,177,782	(1,819)	1,175,963	
Other comprehensive income	其他全面收入	—	—	—	—	—	11,576	—	11,576	—	11,576	
Total comprehensive income	全面收入總額	—	—	—	—	—	11,576	1,177,782	1,189,358	(1,819)	1,187,539	
Net proceeds from issue of ordinary shares upon the Global Offering, net off issuing costs	於全球發售後發行普通股所得款項淨額抵銷發行成本	6,182	1,279,687	—	—	—	—	—	1,285,869	—	1,285,869	
Capitalisation issue	資本化發行	25,321	(25,321)	—	—	—	—	—	—	—	—	
Automatic conversion of redeemable convertible preference shares	自動轉換可贖回可換股優先股	77	—	—	1,021,939	—	—	—	1,022,016	—	1,022,016	
Equity settled share-based transactions	以權益結算以股份為基礎的交易	—	—	—	—	5,707	—	—	5,707	—	5,707	
Capitalisation of special dividend	資本化特別股息	—	—	—	20,205	—	—	—	20,205	—	20,205	
Acquisition of a subsidiary	收購子公司	—	—	—	—	—	—	—	—	385	385	
Capital injection by non-controlling interests	非控股權益注資	—	—	—	—	—	—	—	—	4,000	4,000	
Acquisition of non-controlling interests	收購非控股權益	—	—	—	—	(51,866)	—	—	(51,866)	(98,134)	(150,000)	
Appropriation to PRC statutory reserve	轉撥至中國法定儲備	28(d) (i)	—	159,743	—	—	—	(159,743)	—	—	—	
At 31 December 2013	於2013年12月31日	31,945	1,254,366	228,451	1,435,617	(51,866)	12,275	27,256	1,483,027	4,421,071	10,717	4,431,788

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the year ended 31 December 2014
截至2014年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Attributable to equity shareholders of the Company 本公司權益股東應佔											
		Share capital 股本		Share premium 股份溢價	PRC Statutory reserve 中國法定儲備	Capital reserve 資本儲備	Equity Reserve - transaction with non-controlling interests 以權益結算以股份為基礎的儲備	Equity settled share-based transaction with non-controlling interests 以權益結算以股份為基礎的儲備	Capital redemption reserve 資本贖回儲備	Exchange reserve 匯兌儲備	Retained profits 保留利潤	Non-controlling interests 非控股權益	Total equity 權益總額
		28(c)	28(d) (i)	28(d) (ii)	28(d) (v)	28(d) (iv)	28(c)	28(d) (iii)			Total		
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
附註		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2014	於2014年1月1日	31,945	1,254,366	228,451	1,435,617	(51,866)	12,275	—	27,256	1,483,027	4,421,071	10,717	4,431,788
Changes in equity for 2014:	2014年權益變動：												
Profit for the year	年內利潤	—	—	—	—	—	—	—	—	512,053	512,053	(5,588)	506,465
Other comprehensive income	其他全面收入	—	—	—	—	—	—	—	13,449	—	13,449	—	13,449
Total comprehensive income	全面收入總額	—	—	—	—	—	—	—	13,449	512,053	525,502	(5,588)	519,914
Repurchase and cancellation of shares	購回及註銷股份	28(c)	(120)	(32,145)	—	—	—	120	—	—	(32,145)	—	(32,145)
Dividends approved in respect of the previous year	批准上一年度股息	28(b)	—	—	—	—	—	—	—	(624,309)	(624,309)	—	(624,309)
Capital injection by non-controlling interests	非控股權益注資		—	—	—	—	—	—	—	—	—	75,905	75,905
Equity settled share-based transaction	以權益結算以股份為基礎的交易		—	—	—	—	1,606	—	—	404	2,010	—	2,010
Appropriation to PRC statutory reserve	轉發至中國法定儲備	28(d) (i)	—	—	75,129	—	—	—	—	(75,129)	—	—	—
At 31 December 2014	於2014年12月31日	31,825	1,222,221	303,580	1,435,617	(51,866)	13,881	120	40,705	1,296,046	4,292,129	81,034	4,373,163

The notes on pages 107 to 224 form part of these financial statements.

第107頁至第224頁所載附註構成本財務報表的一部分。

CONSOLIDATED CASH FLOW STATEMENT

合併現金流量表

for the year ended 31 December 2014

截至2014年12月31日止年度

(Expressed in Renminbi)

(以人民幣列示)

			2014	2013
		Note	RMB'000	RMB'000
		附註	人民幣千元	人民幣千元
Operating activities	經營活動			
Cash (used in)/generated from operations	經營業務(所用)/所得現金	21(b)	(1,742,013)	2,891,896
PRC tax paid	已付中國稅項		(429,484)	(486,767)
Net cash (used in)/generated from operating activities	經營活動(所用)/所得現金淨額		(2,171,497)	2,405,129
Investing activities	投資活動			
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項		215	—
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed	出售子公司所得款項，扣除已出售現金及現金等值物		—	240,000
Payment for purchase of other non-current financial assets	其他非流動金融資產到期或出售所得款項淨額		—	(2,000)
Net Proceeds/(payment) for available-for-sale investments	可供出售投資所得款項淨額/(付款)		127,360	(105,438)
Payment for purchase of property, plant and equipment	購買物業、廠房及設備付款		(426,010)	(30,873)
Payment for intangible assets	購買無形資產付款		(2,027)	(1,009)
Acquisition of a subsidiary, net of cash acquired	收購子公司，扣除所獲得現金		(1,816)	(1,218)
Dividends received	已收股息		1,082	2,201
Interest received	已收利息		19,993	11,079
Net cash (use in)/generated from investing activities	投資活動(所用)/所得現金淨額		(281,203)	112,742

CONSOLIDATED CASH FLOW STATEMENT

合併現金流量表

for the year ended 31 December 2014
截至2014年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

			2014	2013
	Note		RMB'000	RMB'000
	附註		人民幣千元	人民幣千元
Financing activities		融資活動		
Net proceeds from issue of ordinary shares upon the Global Offering, net of issuing costs		於全球發售後發行普通股所得款項淨額抵銷發行成本	—	1,285,869
Dividends paid	28(b) (ii)	已付股息	(624,309)	—
Payment for repurchase of shares		購回股份付款	(32,145)	—
Proceeds from new bank loans and other borrowings		新增銀行貸款及其他借貸所得款項	1,220,000	841,500
Receipt of security deposit from a PRC financial institution		存放於中國金融機構的保證金的收回	—	40,000
Capital injection by non-controlling interests to subsidiaries		非控股權益對子公司注資	75,905	4,000
Repayment of bank loans and other borrowings		償還銀行貸款及其他借貸	(541,760)	(706,640)
Acquisition of non-controlling interests		收購非控股權益	—	(150,000)
Receipts from related parties		應收關聯方款項	—	796
Payments to related parties		應付關聯方款項	—	(1,228)
Interest and other borrowing costs paid		已付利息及其他借貸成本	(124,767)	(110,358)
Net cash (used in)/generated from financing activities		融資活動(所用)/所得現金淨額	(27,076)	1,203,939
Net (decrease)/increase in cash and cash equivalents		現金及現金等值物(減少)/增加淨額	(2,479,776)	3,721,810
Cash and cash equivalents at 1 January	21(a)	於1月1日的現金及現金等值物	4,292,994	584,379
Effect of foreign exchange rate changes		外匯匯率變動的影響	5,811	(13,195)
Cash and cash equivalents at 31 December	21(a)	於12月31日的現金及現金等值物	1,819,029	4,292,994

The notes on pages 107 to 224 form part of these financial statements.

第107至224頁所載附註構成本財務報表的一部分。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

I 重大會計政策

(a) 合規聲明

本財務報表乃按照國際會計準則理事會頒佈的所有適用的國際財務報告準則(此統稱包括所有適用的個別國際財務報告準則、國際會計準則及詮釋)而編製。本財務報表亦遵照香港公司條例(香港法例第32章)的適用披露規定(按載於新香港公司條例(香港法例第622章)附表11第76至87條第9部「賬目及審計」的過渡性及保留安排的規定)，本財務報表於本財政年度及比較期間繼續適用於前身香港公司條例的規定。本財務報表亦遵守香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)的適用披露條文。本集團所採納的重大會計政策概述如下。

國際會計準則理事會已頒佈若干新訂及經修訂的國際財務報告準則，這些準則於本集團及本公司當前會計期間首次生效或可提早採納。附註1(c)載列在與該等財務報表所呈列與本集團當前及過往會計期間有關的範圍內，因首次採用這些新訂及經修訂國際財務報告準則而導致會計政策任何變更的資料。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation and presentation of the financial statements

The Company was incorporated in the Cayman Islands on 19 October 2010 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands.

Pursuant to a group reorganisation completed on 18 May 2011 as detailed in the section headed "History and Corporate Structure" in the Company's prospectus dated 18 October 2013, the Company became the holding company of the companies now comprising the Group.

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

These financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except the available-for-sale investments in note 1(f) are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

I 重大會計政策(續)

(b) 財務報表的編製及呈列基準

本公司於2010年10月19日根據開曼群島公司法(2013年修訂本)在開曼群島註冊成立為一間獲豁免有限公司。

根據於2011年5月18日完成的集團重組(詳情見本公司日期為2013年10月18日的招股章程「歷史及企業架構」一節)，本公司成為本集團現時旗下各公司的控股公司。

截至2014年12月31日止年度的合併財務報表涵蓋本公司及其各子公司(統稱「本集團」)。

該等財務報表以人民幣呈列，約整至最接近千元計算。編製財務報表時以歷史成本作為計量基準，惟附註1(f)所載可供出售投資以公允值列賬。

管理層在編製符合國際財務報告準則的財務報表時，須作出對政策的應用及資產、負債、收入及支出的呈報金額造成影響的判斷、估計及假設。估計及相關假設是根據過往經驗及於若干情況下視為合理的多種其他因素作出，其結果構成了管理層在無法依循其他途徑即時得知資產及負債的賬面值時作出判斷的依據。實際結果可能有別於該等估計。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation and presentation of the financial statements (Cont'd)

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

I 重大會計政策(續)

(b) 財務報表的編製及呈列基準(續)

管理層會持續審核該等估計及相關假設。倘若會計估計的修訂僅對作出修訂的期間產生影響，則有關修訂會在該期間內予以確認；倘若該項修訂對當前及未來期間均有影響，則在作出修訂的期間及未來期間均予以確認。

管理層在採用國際財務報告準則時所作出對財務報表有重大影響的判斷，以及主要的估計數額不確定因素於附註2討論。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

These amendments and new IFRSs do not have an impact on these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

I 重大會計政策(續)

(c) 會計政策變動

國際會計準則理事會已頒佈多項於本集團及本公司當前會計期間首次生效的新訂國際財務報告準則及國際財務報告準則修訂。其中，與本集團財務報表有關的變更如下：

- 國際財務報告準則第10號、國際財務報告準則第12號及國際會計準則第27號修訂本，*投資實體*
- 國際會計準則第32號，*抵銷金融資產及金融負債*
- 國際會計準則第36號修訂本，*非金融資產的可收回金額披露*
- 國際財務報告詮釋委員會第21號，*徵費*

該等修訂本及新國際財務報告準則，對該等財務報表並無構成影響。

本集團並無應用於當前會計期間尚未生效的任何新訂準則或詮釋。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

I 重大會計政策(續)

(d) 子公司及非控股權益

子公司是由本集團控制的實體。倘本集團因參與一家公司的業務而可或有權獲得可變回報，且有能力藉對該公司行使其權利而影響該等回報時，則視為本集團對該公司擁有控制權。於評估本集團是否有權力時，僅考慮本集團及其他各方持有的實質權利。

於子公司的投資自控制權開始日期起至控制權終止日期止計入合併財務報表。集團內公司間的結餘、交易及現金流量以及集團內公司間交易所產生的任何未變現利潤，在編製合併財務報表時均全數抵銷。集團內公司間交易所產生的未變現虧損則僅在並無出現減值跡象的情況下以與抵銷未變現收益相同的方法予以抵銷。

非控股權益指本公司並非直接或間接應佔的子公司的權益，且本集團並未同意與該等權益持有人增訂條款而導致本集團整體須就該等權益符合金融負債定義擁有合約責任。對各業務合併而言，本集團可選擇以公允值或按非控股權益所佔子公司可識別資產淨值的比例計量任何非控股權益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Subsidiaries and non-controlling interests (Cont'd)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes I(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note I(f)).

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment losses (see note I(j)).

I 重大會計政策(續)

(d) 子公司及非控股權益(續)

非控股權益於合併財務狀況表的權益內與本公司權益股東應佔權益分開呈列。本集團業績的非控股權益在合併損益表及合併損益及其他全面收益表賬面呈列為年內損益總額及全面收入總額在非控股權益與本公司權益股東之間的分配。非控股權益持有人的貸款及對該等持有人所負的其他合約責任視乎負債性質，根據附註 I(m) 或 (n) 於合併財務狀況表中呈列為金融負債。

本集團於子公司的權益變動，倘並未導致失去控制權，則入賬列作股權交易，而合併權益內控股及非控股權益的金額會就此作出調整，以反映相關權益的變動，但商譽不會作出調整且不會確認損益。

當本集團失去一間子公司的控制權，則入賬列作出售該子公司的全部權益，因此產生的收益或虧損會於損益確認。於失去控制權之日在該前子公司保留的任何權益按公允值確認，且有關金額視為初步確認金融資產時的公允值(見附註 I(f))。

在本公司的財務狀況表內，於子公司的投資按成本減減值虧損列賬(見附註 I(j))。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note I(j)).

On disposal of a cash generating unit during the year, an attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

I 重大會計政策(續)

(e) 商譽

商譽指(i)超過(ii)的差額：

- (i) 所轉讓對價的公允值、於收購中的任何非控股權益金額及本集團先前於被收購者中持有的股本權益公允值的總和；
- (ii) 被收購者的可識別資產及負債於收購當日計量的公允淨值。

當(ii)較(i)為大，則該超出數額即時在損益表內確認為議價收購的收益。

商譽是按成本減累計減值虧損列賬。來自業務合併的商譽將分配至預期可受惠於合併協同效益的現金產生單位或現金產生單位組合，並會每年進行減值測試(見附註I(j))。

年內出售現金產生單位時，已將所購入商譽的應佔金額計入出售損益內。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities which are not held for trading are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note I(j)). Dividend income from equity securities are recognised in profit or loss in accordance with the policies set out in note I(s)(iv).

When the investments are derecognised or impaired (see note I(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

I 重大會計政策(續)

(f) 於股本證券的其他投資

本集團對股本證券的投資(除對子公司的投資外)的政策如下：

股本證券的投資初步按公允價值列賬，有關公允價值為交易價，除非確定初步確認的公允價值與交易價有所不同及於活躍市場上就相同資產或負債的報價可證明該公允價值，或公允價值乃根據評估技術(從可觀察市場獲取的數據)計算。成本包括應佔交易成本，但下文另有所指者除外。該等投資(視乎他們的分類)隨後按下列方式列賬：

不屬於持作買賣的證券投資乃分類為可供出售證券。公允價值乃於各報告期末時重新計量，所產生的任何收益或虧損乃於其他全面收入內確認，並另行累積計入公允價值儲備的權益。在例外情況下，當股本證券投資於活躍市場並無相同工具的報價且公允價值無法可靠計量時，則按成本減減值虧損於財務狀況表確認(見附註I(j))。股本證券股息收入乃按附註I(s)(iv)所載政策於損益內確認。

當終止確認投資或投資出現減值時(見附註I(j))，於權益內確認的累計收益或虧損乃重新分類至損益。在本集團承諾購買/出售投資或投資到期當日確認/終止確認有關投資。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note I(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note I(u)).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated statement of profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

		Years	Estimated residual value as a percentage of costs
		年期	估計剩餘價值佔成本百分比
Buildings	樓宇	20 - 40	5%
Motor vehicles	汽車	4	5%
Office equipment	辦公設備	3 - 5	3% - 5%

I 重大會計政策(續)

(g) 物業、廠房及設備

物業、廠房及設備項目按成本減累計折舊及減值虧損(見附註I(j))於合併財務狀況表內列賬。

自建物業、廠房及設備項目的成本包括材料成本、直接勞工成本以及拆卸及搬遷項目與恢復項目所在地原貌的初步估計成本(如有關)及適當比例的間接生產成本及借貸成本(見附註I(u))。

當在建工程可作擬定用途時，轉為物業、廠房及設備。在建工程不計提折舊。

停用或出售物業、廠房及設備項目所產生的收益或虧損按出售所得款項淨額與該項目賬面值的差額釐定，並於停用或出售當日的合併損益表確認。

折舊是採用直線法按估計可使用年期撇銷物業、廠房及設備項目的成本並扣除其估計剩餘價值(如有)計算，詳情如下：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Property, plant and equipment (Cont'd)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note I(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

Software	5 years
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Both the period and method of amortisation are reviewed annually.

I 重大會計政策(續)

(g) 物業、廠房及設備(續)

倘物業、廠房及設備項目各部分的可使用年期不同，該項目的成本按合理基準於各部分之間分配，且各部分單獨折舊。資產的可使用年期及其剩餘價值(如有)均每年進行審閱。

(h) 無形資產(商譽除外)

本集團所收購的無形資產以成本減累計攤銷(當估計可使用年期為有限時)及減值虧損(見附註I(j)(ii))列賬。

具有有限可使用年期的無形資產攤銷按資產估計可使用年期於損益內以直線法攤銷。以下具有有限可使用年期的無形資產是於其可供使用當日起攤銷，其估計可使用年期如下：

軟件	5年
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攤銷期間及方法均每年進行審核。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are leased by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

I 重大會計政策(續)

(i) 租賃資產

倘本集團釐定一項安排賦予於一段協定期間內使用一項指定資產或多項資產的權利，並以付款或系列付款作為交換，則該項安排(包括交易或系列交易)為或包含一項租賃。本集團經評估該項安排的實際內容後作出相關決定，並不會考慮該項安排是否屬租賃的法定形式。

(i) 租賃予本集團的資產分類

對於本集團根據租約租賃的資產，倘租賃使所有權的絕大部分風險及回報轉移至本集團，有關資產便會劃歸為以融資租賃持有。倘租賃不會使所有權的絕大部分風險及回報轉移至本集團，則劃歸為經營租賃，但下列情況除外：

- 就經營租賃持作自用的土地而言，倘於租賃開始時，其公允值無法與位於其上的樓宇的公允值分開計量，則作為融資租賃持有入賬，除非該樓宇亦根據一項經營租賃清楚持有。就以上目的而言，租賃開始日期是本集團首次簽訂租賃或從前承租人接手的時間。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Leased assets (Cont'd)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property, property under development for sales and completed property held for sale (see note 1(k)).

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

I 重大會計政策(續)

(i) 租賃資產(續)

(ii) 經營租賃支出

倘本集團根據經營租賃使用持有的資產，根據租賃作出的付款會在租期所涵蓋的會計期間內，分期等額自損益扣除，但倘有其他基準更能反映租賃資產所產生的收益模式則除外。所收取的租賃獎勵於損益內確認為所作出租賃淨付款總額的組成部分。或然租金在其產生的會計期間自損益扣除。

根據經營租賃所持土地的收購成本按直線法在租期內攤銷，但分類為投資物業、待售在建物業及待售已完工物業(附註1(k))的物業除外。

倘售後租回交易引致經營租賃，且該交易明顯按公允值設立，則須即時確認任何損益。倘售價低於公允值，則須即時確認任何損益，但倘以低於市價的未來租賃付款補償虧損，則有關損益須遞延並按租賃付款的比例在預期使用資產期間攤銷。倘售價高於公允值，則超過公允值的差額須遞延並在預期使用資產期間攤銷。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in equity securities below its cost.

I 重大會計政策(續)

(j) 資產減值

(i) 股本證券的投資及其他應收款項的減值

按成本或攤銷成本入賬的股本證券的投資及其他即期及非即期應收款項或分類為可供出售證券於各報告期末審核，以釐定是否存在減值的客觀證據。減值的客觀證據包括引起本集團注意到有關下列一項或多項虧損事件的可觀察數據：

- 債務人陷入重大財務困難；
- 違反合約，如欠付或拖延償還利息或本金；
- 債務人可能破產或進行其他財務重組；
- 科技、市場、經濟或法律環境出現重大變動，對債務人有不利影響；及
- 股本證券投資的公允價值發生嚴重或長期下跌而低於其成本。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

I 重大會計政策(續)

(j) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

倘存在任何該等證據，則按以下方式釐定及確認任何減值虧損：

- 對於貿易及其他即期應收款項及其他按攤銷成本列賬的金融資產，倘貼現的影響屬重大，減值虧損以資產之賬面值與以金融資產原實際利率(即初步確認該等資產時所計算的實際利率)貼現的估計未來現金流量現值的差額計量。如該等金融資產具備類似風險特徵，例如類似逾期情況及並未單獨被評估為減值，則對該等資產進行集體評估。集體評估減值的金融資產的未來現金流量，是根據與整個組別信貸風險特徵類似的資產的過往虧損經驗作出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

I 重大會計政策(續)

(j) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

倘減值虧損金額在其後期間減少，且客觀上與確認減值虧損後發生的事件有關，則減值虧損會通過損益撥回。減值虧損的撥回不得導致資產的賬面值超過以往年度並無確認減值虧損而應釐定的數額。

- 就可供出售證券而言，已確認於公允價值儲備的累計虧損重新分類至損益。確認至損益的累計虧損金額為收購成本(減任何本金還款及攤銷)與現時公允值的差額減過往確認於損益的資產的任何減值虧損。

有關可供出售股本證券於損益內確認的減值虧損並未通過損益撥回。該等資產的公允值的任何其後增加於其他全面收入確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

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(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bill receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bill receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated statement of profit or loss.

I 重大會計政策(續)

(j) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

減值虧損從相應資產中直接撇銷，但因包含在貿易及其他應收款項中的貿易應收賬款及應收票據的可收回性被視為難以預料而並非微乎其微，就其確認的減值虧損除外。在此情況下，呆賬的減值虧損以撥備賬記錄。當本集團確認能收回貿易應收賬款的機會微乎其微時，則視為不可收回金額會直接從貿易應收賬款及應收票據中撇銷，而在撥備賬中就該債務保留的任何金額會被撥回。倘之前計入撥備賬的款項在其後收回，則有關款項於撥備賬撥回。撥備賬的其他變動及其後收回先前直接撇銷的款項均於合併損益表中確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets (Cont'd)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Intangible assets;
- Goodwill; and
- Investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

I 重大會計政策(續)

(j) 資產減值(續)

(ii) 其他資產減值

本集團會在各報告期末審核內部及外界資料，以識別是否有跡象顯示下列資產(除商譽外)可能出現減值或過往確認的減值虧損已不再存在或可能已減少：

- 物業、廠房及設備；
- 無形資產；
- 商譽；及
- 在本公司的財務狀況表內對子公司的投資。

若存在上述任何跡象，則會估計有關資產的可收回金額。此外，就商譽而言，每年估計可收回金額，不論是否有跡象顯示存在減值。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

I 重大會計政策(續)

(j) 資產減值(續)

(ii) 其他資產減值(續)

– 計算可收回金額

資產可收回金額為其公允價值減處置成本與使用價值兩者中的較高者。在評估使用價值時，估計未來現金流量會使用可反映當時市場對貨幣時間值及資產特定風險的評估的稅前貼現率，貼現至其現值。倘資產所產生現金流入並非基本上獨立於其他資產所產生者，則以能獨立產生現金流入的最小資產組別(即現金產生單位)釐定可收回金額。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

I 重大會計政策(續)

(j) 資產減值(續)

(ii) 其他資產減值(續)

– 確認減值虧損

當資產或其所屬現金產生單位的賬面值超過其可收回金額時，減值虧損於損益確認。就現金產生單位確認的減值虧損，會首先分配以減少分配予該單位(或該組單位)的任何商譽的賬面值，然後按比例減少該單位(或該組單位)內其他資產的賬面值，但資產賬面值不會減至低於其個別的公允值減處置成本(如可計量)或使用價值(如能釐定)。

– 撥回減值虧損

有關非商譽資產，倘用作釐定可收回金額的估計出現有利變化，則會撥回減值虧損。商譽的減值虧損不會撥回。

減值虧損的撥回僅限於過往年度並未確認減值虧損而應釐定的資產賬面值。所撥回減值虧損在確認撥回的年度計入損益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets (Cont'd)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes I(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

I 重大會計政策(續)

(j) 資產減值(續)

(iii) 中期財務報告及減值

根據香港聯合交易所有限公司證券上市規則，本集團須按國際會計準則第34號中期財務報告編製財政年度首六個月的中期財務報告。本集團於中期期末採用與財政年度年末相同的減值測試、確認及撥回標準(見附註I(j)(i)及(ii))。

於中期期間就按成本列賬的可供出售股本證券確認的減值虧損不會於其後期間撥回(即使在與該中期期間相關的財政年度年末時並無或只有少數減值虧損需要確認的情況下)。因此，可供出售股本證券的公允值倘於同一年度餘下期間或在任何其他其後的期間有所增加，則該增加須於其他全面收入而非於損益中確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Properties held for future development for sale and properties under development for sale

The cost of properties held for future development for sale and properties under development for sale comprises specifically identified cost, including the acquisition cost of land use right, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note I(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

I 重大會計政策(續)

(k) 存貨

有關物業開發活動的存貨以成本及可變現淨值兩者中的較低者入賬。成本及可變現淨值按下述方式釐定：

- 待售未來待開發物業及待售在建物業

待售未來待開發物業及待售在建物業的成本包含已明確識別的成本，包括土地使用權的收購成本及發展、物料和供應品總成本、工資及其他直接支出，以及適當比例之間接費用及資本化借貸成本(見附註I(u))。可變現淨值為估計售價減估計完工成本及出售物業所產生的成本後的金額。

- 待售已完工物業

本集團已完工物業的成本按未售物業所佔該發展項目總發展成本分攤計算。可變現淨值為估計售價減出售物業所產生的成本。

待售已完工物業的成本包括所有購買成本、轉換成本以及將存貨運往現時位置及達至現狀所產生的其他成本。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Inventories (Cont'd)

– Other inventories

Other inventories mainly include low-value consumption goods. They are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprise all costs of purchase. When inventories are consumed, the carrying amount of inventories is recognised as an expense in the year in which the consumption occurs. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

I 重大會計政策(續)

(k) 存貨(續)

– 其他存貨

其他存貨主要包括低值易耗品。其他存貨按成本及可變現淨值兩者中的較低者入賬。成本利用加權平均成本公式計算，並包括所有購買成本。存貨消耗時，其賬面值於消耗發生當年確認為支出。將任何存貨撇減至可變現淨值的金額及所有存貨虧損於撇減或虧損發生期內確認為支出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

I 重大會計政策(續)

(l) 貿易及其他應收款項

貿易及其他應收款項初步按公允價值確認，其後按攤銷成本減呆賬減值撥備(見附註1(j))入賬，但作為支付予關聯方的無固定還款期或貼現影響並不重大的免息貸款的應收款項除外。在此情況下，該等應收款項按成本減呆賬減值撥備入賬。

(m) 計息借貸

計息借貸初步按公允價值減應佔交易成本確認。於初步確認後，計息借貸按攤銷成本入賬，最初確認金額與贖回價值之間的任何差額(連同任何應付利息及費用)會在借貸期間內以實際利率法於損益確認。

(n) 貿易及其他應付款項

貿易及其他應付款項初步按公允價值確認。貿易及其他應付款項其後按攤銷成本列賬，除非貼現影響並不重大，在此情況下，則按成本入賬。

(o) 現金及現金等值物

現金及現金等值物包括銀行存款及現金、存放於銀行及其他金融機構的活期存款，以及短期且流動性極高的投資，該等投資可隨時變現為已知現金數額及無重大價值轉變的風險，於購入後三個月內到期。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligation for contributions to defined contribution retirement plans pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred, except to the extent that they are included in properties for sale not yet recognised as an expense.

I 重大會計政策(續)

(p) 僱員福利

(i) *短期僱員福利及定額供款退休計劃*

薪金、年度獎金、帶薪年假、定額供款退休計劃及非貨幣福利的成本已於僱員提供相關服務的年度內計提。若延遲付款或結算及其影響屬重大，該等款項將按現值入賬。

除已計入待售物業而尚未確認為支出者外，根據中華人民共和國(「中國」)相關勞動法規及規例向定額供款退休計劃作出供款的責任在產生時於損益確認為支出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Employee benefits (Cont'd)

(ii) Equity settled share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the equity settled share-based payment reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the equity settled share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the equity settled share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the equity settled share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

I 重大會計政策(續)

(p) 僱員福利(續)

(ii) 以權益結算以股份為基礎的付款

向僱員所授購股權的公允價值確認為僱員成本，並於權益的以權益結算以股份為基礎的付款儲備作出相應增加。公允值是於授出日期使用二項式期權定價模式並計及所授出購股權的條款及條件計量。倘僱員須在無條件享有購股權前符合歸屬條件，則購股權的估計公允值總額經考慮購股權的歸屬可能性後於歸屬期內攤分。

歸屬期內會審閱預期將歸屬的購股權數目。除非原僱員開支合資格確認為資產，否則對過往年內已確認累計公允值所作出的任何調整，均在審閱年度自損益扣除／計入損益，並對以權益結算以股份為基礎的付款儲備作出相應調整。於歸屬日期，會對確認為開支的數額作出調整，以反映所歸屬購股權的實際數目(並對以權益結算以股份為基礎的付款儲備作出相應調整)，但僅因未能達成與本公司股份市價有關的歸屬條件而遭沒收的購股權則除外。權益金額是於資本儲備確認，直至購股權獲行使(屆時會轉撥至股本溢價)或購股權屆滿(屆時會直接撥入保留利潤)為止。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Employee benefits (Cont'd)

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

I 重大會計政策(續)

(p) 僱員福利(續)

(iii) 終止福利

終止福利於本集團不再能夠取消提供該等福利時及其確認涉及支付終止福利的重組成本時(以較早者為準)確認。

(q) 所得稅

年度所得稅包括即期稅項及遞延稅項資產與負債變動。即期稅項及遞延稅項資產與負債變動均在損益確認，但倘該等項目與於其他全面收益表或直接於權益確認的項目有關，則有關稅項分別於其他全面收益表或直接於權益確認。

即期稅項為年度應課稅收入的預期應付稅項，採用於報告期末已生效或實質已生效的稅率計算，同時考慮就過往年度應付稅項作出的任何調整。

遞延稅項資產及負債分別由可抵扣和應稅暫時差異產生，即財務報告所呈報資產及負債的賬面值與其稅基之間的差異。遞延稅項資產亦會因未動用稅項虧損及未動用稅項抵免而產生。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Income tax (Cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

I 重大會計政策(續)

(q) 所得稅(續)

除若干有限例外情況外，所有遞延稅項負債及所有遞延稅項資產均於日後可能有應課稅利潤用以抵銷可動用資產時確認。可支持確認源自可扣稅暫時性差額的遞延稅項資產的日後應課稅利潤，包括該等源自撥回現有應課稅暫時性差額者，但該等差額須與相同稅務機關及相同應課稅實體有關，並預期於撥回可扣減暫時性差額的同一期間或源自遞延稅項資產的稅項虧損可撥回或結轉的期間撥回。在評定現有應課稅暫時性差額是否支持確認因未動用稅項虧損及抵免產生的遞延稅項資產時採用相同的標準，即倘該等暫時性差額與相同稅務機關及相同應課稅實體有關，並預期於可使用稅項虧損或抵免期間內撥回，則會考慮確認遞延稅項資產。

確認遞延稅項資產及負債的有限例外情況為不可就稅務目的扣減的商譽、不影響會計或應課稅利潤的資產或負債的初步確認(前提是他們不屬於業務合併的一部分)所產生的暫時性差額，以及有關投資子公司的暫時性差額(如屬應課稅差額可以由本集團控制轉回時間，而且在可預見的未來不大可能轉回的差額，或如屬可扣減差額，則僅限於很可能在未來轉回的差額)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Income tax (Cont'd)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

I 重大會計政策(續)

(q) 所得稅(續)

已確認的遞延稅項按預期變現或清償資產及負債賬面值的方式，以報告期末已頒佈或實質已頒佈的稅率計算。遞延稅項資產及負債並未貼現。

遞延稅項資產的賬面值會於各報告期末審閱，並扣減至不再可能取得足夠應課稅利潤以動用有關稅務利益為止。任何減幅會於可能取得足夠應課稅利潤時撥回。

分派股息所產生的額外所得稅於確認支付相關股息的責任時確認。

即期稅項結餘與遞延稅項結餘及其變動單獨呈列，且不予抵銷。即期稅項資產與即期稅項負債以及遞延稅項資產與遞延稅項負債只會在本集團有法定執行權以即期稅項資產抵銷即期稅項負債，並在符合下列附帶條件的情況下，方可相互抵銷：

- 如屬即期稅項資產及負債，本集團計劃按淨額基準結算，或同時變現該資產及清償該負債；或

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Income tax (Cont'd)

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

I 重大會計政策(續)

(q) 所得稅(續)

- 如屬遞延稅項資產及負債，倘他們與相同稅務機關就以下其中一項徵收的所得稅有關：
 - 相同應課稅實體；或
 - 不同應課稅實體，計劃在預期有重大金額的遞延稅項負債或資產須予清償或可收回的各未來期間，按淨額基準變現即期稅項資產及清償即期稅項負債，或同時變現即期稅項資產及清償即期稅項負債。

(r) 已發出財務擔保、撥備及或然負債

(i) 已發出財務擔保

財務擔保指要求發行人(即擔保人)支付指定款項以向擔保受益人(「持有人」)賠償因指定債務人未能根據債務工具之條款支付到期款項而導致持有人蒙受損失的合約。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Financial guarantees issued, provisions and contingent liabilities (Cont'd)

(i) Financial guarantees issued (Cont'd)

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note I(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

I 重大會計政策(續)

(r) 已發出財務擔保、撥備及或然負債(續)

(i) 已發出財務擔保(續)

本集團發出財務擔保時，該擔保的公允值初步確認為貿易及其他應付款項內的遞延收入。已發出財務擔保於發出時的公允值乃參照在正常交易中就類似服務所收取的費用(當該等資料可得時)釐定，或通過比較在有擔保下貸款人收取的實際利率與假設沒有擔保下估計貸款人應收取的利率(如該等資料能可靠估計)，參照利率差額作出估計。倘就發出有關擔保已收或應收對價，則有關對價根據適用於該類別資產的本集團政策確認。倘並無該等已收或應收對價，則於初步確認任何遞延收入時即時於損益確認開支。

初步確認為遞延收入的擔保金額，作為已發出財務擔保的收入於擔保期內在損益攤銷。此外，倘(i)擔保持有人有可能要求本集團履行有關擔保，及(ii)對本集團提出的申索款額預期超過現時就該擔保於貿易及其他應付款項所列金額(即初步確認的金額)減累計攤銷，則根據附註I(r)(ii)確認撥備。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Financial guarantees issued, provisions and contingent liabilities (Cont'd)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

I 重大會計政策(續)

(r) 已發出財務擔保、撥備及或然負債(續)

(ii) 其他撥備及或然負債

當本集團或本公司須就過往事件承擔法定或推定責任，且履行責任可能須流出經濟利益並可作出可靠估計時，便會就尚未確定時間或金額的其他負債確認撥備。倘貨幣的時間價值重大，則按預計履行該責任所需支出的現值計提撥備。

倘不大可能需要流出經濟利益，或有關數額無法可靠估計，則該責任披露為或然負債，但倘流出經濟利益的可能性極低則除外。須視乎一宗或多宗未來事件是否發生才能確定存在與否的可能責任亦披露為或然負債，但倘流出經濟利益的可能性極低則除外。

(s) 收益確認

收益按已收或應收對價的公允值計量。倘經濟利益可能流入本集團且收益及成本(視情況而定)能可靠計量，則收益於損益確認如下：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Revenue recognition (Cont'd)

(i) Sales of properties

Revenue from sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the construction of relevant properties have been completed and the properties have been delivered to the buyers.

Revenue from sale of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as trade and other payables.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Service fee income

Service fee income in relation to property management services, advertising service and other ancillary services are recognised when such services are provided to customers.

I 重大會計政策(續)

(s) 收益確認(續)

(i) 銷售物業

銷售物業所得收益於所有權的重大風險及回報已轉至買方時確認。本集團認為，當相關物業竣工並交付予買方時，所有權的重大風險及回報即視為轉移。

銷售物業所得收益不包括營業稅及其他銷售相關稅項，為扣除任何貿易折扣後所得者。在收益確認當日之前就出售物業所收之定金及分期付款作為貿易及其他應付款項計入財務狀況表。

(ii) 經營租賃的租金收入

經營租賃的應收租金收入在租期所涵蓋的期間內，以等額分期款項於損益確認，但倘有其他基準更清楚地反映使用租賃資產所產生之收益模式則除外。所授的租賃優惠於損益確認為應收租賃淨付款總額的組成部分。或然租金在產生的會計期間確認為收入。

(iii) 服務費收入

有關物業管理服務、廣告服務及其他配套服務的服務費收入於向客戶提供服務時確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Revenue recognition (Cont'd)

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of inventories are initially recognised as deferred income and subsequently deducted from the cost of sales when the inventories were sold upon meeting the relevant conditions, if any, attaching to them.

I 重大會計政策(續)

(s) 收益確認(續)

(iv) 股息

來自非上市投資的股息收入於股東收取付款的權利確立時確認。

(v) 利息收入

利息收入使用實際利率法於產生時確認。

(vi) 政府補助

倘可合理保證本集團能收取政府補助且符合有關補貼所附條件，則政府補助初步於財務狀況表確認。補償本集團所涉開支的補助於開支產生期間有系統地於損益確認為收入。補償本集團存貨成本的補助初步確認為遞延收入，其後於符合所附條件(如有)而出售存貨時自銷售成本扣除。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

I 重大會計政策(續)

(t) 外幣換算

年內外幣交易按交易日期現行的匯率換算。以外幣計值的貨幣資產及負債按報告期末現行的匯率換算。匯兌收益及虧損於損益確認。

以外幣計值並按歷史成本計量的非貨幣資產及負債使用交易日期現行的匯率換算。以外幣計值並按公允價值計量的非貨幣資產及負債使用計量公允價值當日現行的匯率換算。

海外經營業績按交易日期現行匯率的近似匯率換算為人民幣。財務狀況表項目按各報告期末的收市匯率換算為人民幣。

所產生的匯兌差額於其他全面收入確認，並於權益的外匯儲備內單獨累計。

出售境外業務時，有關境外業務的匯兌差額的累計金額於確認出售損益時自權益重新分類至損益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

I 重大會計政策(續)

(u) 借貸成本

購置、興建或生產需要長時間籌備以作擬定用途或出售的資產直接相關的借貸成本資本化為該資產的部分成本。其他借貸成本於產生期間支銷。

當資產產生開支與產生借貸成本以及正進行籌備資產以作擬定用途或出售的必要工作時，開始將屬於合資格資產成本一部分的借貸成本資本化。當籌備合資格資產以作擬定用途或出售的必要工作絕大部分中斷或完成時，會暫停或終止將借貸成本資本化。

(v) 關聯方

(a) 倘屬以下人士，則該人士或該人士的近親家庭成員與本集團有關聯：

- (i) 對本集團擁有控制權或共同控制權；
- (ii) 對本集團擁有重大影響力；或
- (iii) 為本集團或本集團母公司的主要管理層成員。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Related parties (Cont'd)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

I 重大會計政策(續)

(v) 關聯方(續)

- (b) 倘以下條件適用，則該實體與本集團有關聯：
- (i) 該實體與本集團屬同一集團的成員公司(即各母公司、子公司及同系子公司彼此間有關連)。
 - (ii) 一家實體為另一實體的聯營公司或合資企業(或另一實體為所屬集團的成員公司的聯營公司或合資企業)。
 - (iii) 兩間實體均為同一第三方的合資企業。
 - (iv) 一家實體為第三方實體的合資企業，而另一實體為同一第三方實體的聯營公司。
 - (v) 該實體為本集團或與本集團有關聯的實體就僱員福利而設的離職後福利計劃。
 - (vi) 該實體受(a)所識別人士控制或受共同控制。
 - (vii) 於(a)(i)所識別人士對實體有重大影響力或屬該實體(或該實體的母公司)主要管理層成員。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Related parties (Cont'd)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

I 重大會計政策(續)

(v) 關聯方(續)

一名人士的近親家庭成員指預期在與實體的交易中可影響該人士或受該人士影響的家庭成員。

(w) 分部報告

本集團為分配資源予本集團各項業務及各個地區以及評估各項業務及各個地區的業績，會定期向本集團大多數高級行政管理層提供財務資料。從該等資料中可找出於合併財務報表報告的經營分部及各分部項目金額。

個別重大經營分部不會就財務報告予以匯總，除非該等分部擁有相若的經濟特性，且其產品及服務性質、生產流程性質、客戶類型或類別、用以分銷產品或提供服務的方法以及監管環境的性質均相若。倘個別不重大經營分部擁有大部分該等特徵，則可能會匯總。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Classification between inventories, owner-occupied properties and investment properties

The Group develops property projects with an initial intention to be held for sale and retains a portion of properties held for own use. Judgement is made by management in determining whether a property is designated as a property held for sale, owner-occupied property. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of development, the related properties under development are accounted for as (1) properties under development included in current assets if the properties are intended for sale after their completion; (2) owner-occupied properties included in properties, plant and equipment if the properties are intended for own use; and (3) investment properties under development if the properties are intended to be held to earn rentals and/or for capital appreciation.

2 會計判斷及估計

(a) 應用本集團會計政策時所作重大會計判斷

在應用本集團會計政策時，管理層曾作出以下會計判斷：

存貨、自有物業及投資物業的分類

本集團開發物業的基本目的為持作出售或保留部分所持有物業作自用。管理層在決定某項物業指定作持作出售物業、自用物業時須作出判斷。本集團認為其擬在有關物業開發初期持有物業。在開發過程中，相關發展中物業會按以下方式入賬：(1) 如物業在完成後擬作出售，計入流動資產中的發展中物業；(2) 如物業擬作自用，計入物業、廠房及設備中的自用物業；及(3) 如物業擬持有以賺取租金收入及／或資本增值，則計入在建投資物業。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty

Notes 26 and 29 contain information about the assumptions and their risk factors relating to the fair value of share options granted and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Inventories

As explained in note 1(j), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源

有關已授出購股權的公允值及金融工具的公允值的假設及其風險因素的資料載於附註26及29。估計不確定因素的其他主要來源如下：

(i) 存貨

誠如附註1(j)所釋，本集團未來待開發土地、在建物業及待售已完工物業按成本與可變現淨值兩者中的較低數額列賬。根據本集團近期經驗及有關物業的性質，本集團就售價、在建物業的竣工成本及出售該物業將引致的成本作出估計。

倘竣工成本增加或淨銷售額減少，則可能導致須就待售已完工物業、未來待開發物業及待售在建物業作出撥備。該等撥備需要運用判斷及估計。倘預期異於最初估計，則該等物業的賬面值及撥備於有關估計變動期間將相應予以調整。

鑒於中國物業市場波動及個別物業獨特性質使然，成本及收益的實際結果可能會高於或低於報告期末所估計者。撥備的任何增減均會影響未來年度的損益。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(ii) Recognition of deferred tax assets

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the Directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(ii) 遞延稅項資產確認

遞延稅項資產按報告期末已頒佈或實質頒佈的稅率，根據預期變現或結算資產賬面值的方式確認及計量。釐定遞延稅項資產賬面值時，預期應課稅利潤的估計涉及多項有關本集團經營環境的假設，需要董事行使重大程度的判斷。該等假設及判斷的任何變動將影響將予確認的遞延稅項資產賬面值，從而影響未來年度淨利。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(iii) Provision for PRC Land Appreciation Tax ("PRC LAT")

As explained in note 6(b), the Group has estimated, made and included in tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of PRC LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

(iv) Recognition of construction costs on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale 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 estimates. Any variations on the development costs upon final settlement will impact cost of sales included in profit or loss in future years.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(iii) 中國土地增值稅(「中國土地增值稅」)撥備

誠如附註6(b)所述，本集團已根據相關中國稅務法律法規所載規定，估計、作出及在稅項內計入中國土地增值稅撥備。實際的中國土地增值稅負債須待物業開發項目完工後，由稅務當局釐定，而稅務當局可能不同意本集團計算中國土地增值稅撥備的基準。由於中國土地增值稅撥備視乎最終稅額計算而定，故釐定撥備水平時須作出重大判斷。鑒於當地稅務局所詮釋的中國土地增值稅計算基準並不確定，實際結果可能會高於或低於報告期末所估計者。實際結果／估計的任何增減均會影響作出有關計算期間的所得稅撥備。

(iv) 在建物業建設成本的確認

物業開發成本於工程階段入賬列為在建物業，並將於確認物業銷售後轉撥至損益。於最終結算開發成本及有關物業銷售的其他成本前，該等成本由本集團按管理層的最佳估計累計。於最終結算後開發成本的任何變動將影響計入日後年度損益的銷售成本。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

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3 TURNOVER AND SEGMENT REPORTING

The principal activities of the Group are development, sales and operation of commercial trade and logistics centres and residential properties in the PRC.

Turnover represents income from sales of properties, property management services income and rental income net of business tax and other sales related taxes and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover during the year are as follows:

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Sales of properties	物業銷售	3,341,612	4,748,766
Property management services	物業管理服務	11,339	7,027
Rental income	租金收入	6,734	671
Advertising income	廣告收入	504	—
		3,360,189	4,756,464

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's turnover.

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the PRC. The Group does not operate in any other geographical or business segment during the year.

3 營業額及分部報告

本集團的主要業務為在中國進行商貿物流中心及住宅物業的開發、銷售及經營。

營業額指物業銷售收入(扣除營業稅及其他銷售相關稅項及任何交易折扣)、物業管理服務收入及租金收入。

年內已於營業額中確認的每項重大收益類別的金額如下：

	2014	2013
	RMB'000	RMB'000
	人民幣千元	人民幣千元
物業銷售	3,341,612	4,748,766
物業管理服務	11,339	7,027
租金收入	6,734	671
廣告收入	504	—
	3,360,189	4,756,464

本集團的客戶群呈多元化，概無本集團任何客戶與本集團的交易額佔本集團營業額的10%以上。

為分配資源予本集團各項業務及各個地區以及評估各項業務及各個地區的業績，本集團會定期向本集團最高級行政管理層提供財務數據及資料。合併財務報表所報告的經營分部及各分部項目金額來自該等財務數據及資料。由於本集團於中國主要從事一個分部，故並無呈列本集團的經營分部資料。年內本集團並無於任何其他地區或業務分部經營。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

4 OTHER REVENUE AND OTHER NET INCOME

4 其他收益及其他收入淨額

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Other revenue	其他收益		
Dividend income	股息收入	3,243	4,019
Others	其他	2,412	1,334
		5,655	5,353
Other net income	其他收入淨額		
Net gain on disposal of available-for-sale investments	出售可供出售投資收益淨額	44,360	14,562
Net loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損淨額	(708)	—
		43,652	14,562

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Finance income	財務收入		
Interest income	利息收入	(19,993)	(11,079)
Finance costs	融資成本		
Interest on bank loans and other borrowings	銀行貸款及其他借貸的利息	124,767	108,558
Less: interest expense capitalised into properties under development *	減：資本化撥入在建物業的利息開支*	(123,565)	(107,977)
		1,202	581
Net foreign exchange loss	匯兌虧損淨額	7,638	3,602
Finance expense on redeemable convertible preference shares	可贖回可換股優先股財務開支	—	66,000
		8,840	70,183

* The borrowing costs have been capitalised at rates ranging from 6.40% - 10.23% per annum for the year ended 31 December 2014 (2013: 6.40% - 17.00% per annum).

5 除稅前利潤

除稅前利潤經扣除／(計入)下列各項後得出：

(a) 財務收入及融資成本

	2014	2013
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Finance income		
Interest income	(19,993)	(11,079)
Finance costs		
Interest on bank loans and other borrowings	124,767	108,558
Less: interest expense capitalised into properties under development *	(123,565)	(107,977)
	1,202	581
Net foreign exchange loss	7,638	3,602
Finance expense on redeemable convertible preference shares	—	66,000
	8,840	70,183

* 截至2014年12月31日止年度，借貸成本按6.40%至10.23%的年度比率資本化（2013年：每年6.40%至17.00%）。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

5 PROFIT BEFORE TAXATION (Cont'd)

(b) Staff costs:

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contributions to defined contribution retirement plans	定額供款退休計劃	14,700	7,402
Salaries, wages and other benefits	薪金、工資及其他福利	279,451	147,792
Equity settled share-based payments (note 26)	以權益結算以股份為基礎的付款(附註26)	2,010	5,707
		296,161	160,901

(c) Other items:

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Depreciation and amortisation	折舊及攤銷	25,742	16,361
Auditor's remuneration	核數師酬金	2,900	2,246
Operating lease charges	經營租賃支出	25,060	10,129
Cost of properties sold (note (i))	已售物業成本(附註(i))	1,943,073	1,817,539

(i) Cost of properties sold is after netting off benefits from government grants of RMB321,505,000 for the year ended 31 December 2014 (2013: RMB620,938,000).

5 除稅前利潤(續)

(b) 員工成本：

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contributions to defined contribution retirement plans	定額供款退休計劃	14,700	7,402
Salaries, wages and other benefits	薪金、工資及其他福利	279,451	147,792
Equity settled share-based payments (note 26)	以權益結算以股份為基礎的付款(附註26)	2,010	5,707
		296,161	160,901

(c) 其他項目：

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Depreciation and amortisation	折舊及攤銷	25,742	16,361
Auditor's remuneration	核數師酬金	2,900	2,246
Operating lease charges	經營租賃支出	25,060	10,129
Cost of properties sold (note (i))	已售物業成本(附註(i))	1,943,073	1,817,539

(i) 截至2014年12月31日止年度，已售物業成本是經扣除政府補助人民幣321,505,000元後得出(2013年：人民幣620,938,000元)。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

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6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

6 合併損益表內的所得稅

(a) 合併損益表內的稅項指：

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Current tax	即期稅項		
PRC Corporate Income Tax ("PRC CIT")	中國企業所得稅(「中國企業所得稅」)	225,990	473,453
PRC dividend withholding tax (note 6(b)(v))	中國股息預扣稅(附註6(b)(v))	63,038	—
PRC LAT (note 6(b)(iv))	中國土地增值稅(附註6(b)(iv))	184,630	687,289
Under-provision in respect of prior years	以往年度撥備不足	—	16,782
		473,658	1,177,524
Deferred tax	遞延稅項		
Origination and reversal of temporary differences (note 15(b))	暫時性差額的產生及撥回(附註15(b))	(142,697)	(28,628)
		330,961	1,148,896

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

6 合併損益表內的所得稅(續)

(b) 所得稅與按適用稅率計算的會計利潤的對賬：

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Profit before taxation	除稅前利潤	837,426	2,324,859
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	按有關國家適用於利潤的稅率計算的除稅前利潤的名義稅項	215,113	634,772
Tax effect of non-deductible expenses	不可扣稅開支的稅務影響	8,383	11,023
Tax effect of non-taxable income	毋須課稅收入的稅務影響	(895)	(1,005)
Tax effect of unused tax losses not recognised	未確認未動用稅項虧損的稅務影響	26,515	8,987
Utilisation of previously unrecognised tax losses	動用先前未經確認稅項虧損	(77)	(322)
Withholding tax on distributable profits of PRC subsidiaries	中國子公司可分派溢利的預扣稅	—	63,038
PRC LAT (note 6(b)(iv))	中國土地增值稅(附註6(b)(iv))	184,630	687,289
Tax effect on PRC LAT	中國土地增值稅稅務影響	(29,351)	(171,822)
Tax concessions (note 6(b)(iii))	稅務優惠(附註6(b)(iii))	(73,357)	(99,846)
Under-provision in respect of prior years	以往年度撥備不足	—	16,782
Total income tax	所得稅總額	330,961	1,148,896

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(b) Reconciliation between income tax and accounting profit at applicable tax rates: (Cont'd)

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in this jurisdiction.

(ii) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year (2013: Nil).

(iii) PRC CIT

The Group's PRC subsidiaries are subject to statutory tax rate of 25% on their assessable profits.

In July 2013, Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("Ganzhou Trade Centre") was approved to enjoy a preferential PRC CIT rate of 15% for the years from 2012 to 2020 according to a tax notice issued by the local tax bureau. The preferential tax treatment was based on various tax rules and regulations in relation to PRC government's strategy in encouraging investment and development of wholesale trading markets in certain regions in the PRC.

6 合併損益表內的所得稅(續)

(b) 所得稅與按適用稅率計算的會計利潤的對賬：(續)

(i) 根據開曼群島規則及法規，本集團於該司法權區毋須繳納任何所得稅。

(ii) 由於本集團年內並無賺取任何須繳納香港利得稅的收入，故並無就香港利得稅計提撥備(2013年：零)。

(iii) 中國企業所得稅

本集團的中國子公司須就其應課稅利潤按25%的法定稅率繳稅。

2013年7月，贛州毅德商貿物流園開發有限公司（「贛州商貿物流中心」）根據地方稅務局頒佈的稅務通知獲批自2012年至2020年享受15%的優惠中國企業所得稅稅率。該稅務優惠是基於與中國政府鼓勵中國若干地區投資及發展商貿物流業的政策有關的多項稅務規則及法規。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(b) Reconciliation between income tax and accounting profit at applicable tax rates: (Cont'd)

(iv) PRC LAT

PRC LAT which is levied on properties developed for sale by the Group in the PRC, at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures. Deferred tax assets arising from PRC LAT accrued are calculated based on the applicable income tax rates when they are expected to be cleared.

In addition, certain subsidiaries of the Group were subject to PRC LAT which were calculated based on 6% to 8% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging PRC LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Administration of Taxation or any tax bureau of higher authority is remote.

(v) PRC dividend withholding tax

Withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5%.

6 合併損益表內的所得稅(續)

(b) 所得稅與按適用稅率計算的會計利潤的對賬：(續)

(iv) 中國土地增值稅

本集團銷售於中國所開發物業須按價值增幅以30%至60%的累進稅率繳納中國土地增值稅，根據適用規例，中國土地增值稅是按銷售物業所得款項減可扣稅開支（包括土地使用權租賃支出、借貸成本及所有合資格物業開發開支）計算。中國土地增值稅產生的遞延稅項資產於他們預期結算時按適用所得稅稅率計算。

此外，本集團的若干子公司根據相關的地方稅務局批准的核定計稅方法，基於收益的6%至8%計算中國土地增值稅。

本公司董事認為，其獲准採用的核定計稅方法是中國認可的計稅方法之一，而本集團中國子公司所在地的各地方稅務局為批准該等公司以核定計稅方法徵收中國土地增值稅的主管稅務機關，故受國家稅務總局或任何上級主管稅務機關質疑的風險不大。

(v) 中國股息預扣稅

香港公司須就因中國子公司於2008年1月1日之後賺取的利潤分派的股息繳納5%的預扣稅。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

7 董事薪酬

董事薪酬根據新香港公司條例(第622章)附表11第78條，參照前香港公司條例(第32章)第161條披露如下：

		2014				
		Salaries allowances and benefits in kind	Retirement scheme contributions	Equity settled share-based payment	Total	
Directors' fee	薪金、津貼及董事袍金	薪金、津貼及實物福利	退休計劃供款	以權益結算以股份為基礎的付款	總計	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
Executive directors:	執行董事：					
Wong Choihing (a)	王再興 (a)	3,333	1,802	—	4,868	
Wang Jianli (b)	王健利 (b)	1,647	—	—	1,647	
Huang Dehong	黃德宏	1,500	1,183	24	2,796	
Non-executive director:	非執行董事：					
Yuan Bing	袁兵	242	—	—	242	
Independent non-executive directors:	獨立非執行董事：					
Yang Xianzu (c)	楊賢足 (c)	217	—	—	150	
Zhao Lihua (d)	趙立華 (d)	25	—	—	25	
Wang Lianzhou	王連洲	242	—	—	328	
Lam, Chi Yuen Nelson	林智遠	242	—	—	328	
		7,448	2,985	24	10,384	

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

7 DIRECTORS' REMUNERATION (Cont'd)

7 董事薪酬(續)

		2013				
		Salaries allowances and benefits in kind	Retirement scheme contributions	Equity settled share-based payment 以權益結算 以股份為 基礎的付款	Total	
Directors' fee	薪金、 津貼及 實物福利	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
董事袍金	董事袍金	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Executive directors:	執行董事：					
Wong Choihing	王再興	5,000	1,945	—	472	7,417
Wang Dewen (e)	王德文 (e)	—	559	6	—	565
Huang Dehong (f)	黃德宏 (f)	1,500	589	7	136	2,232
Non-executive director:	非執行董事：					
Yuan Bing	袁兵	—	—	—	—	—
Independent non-executive directors:	獨立非執行董事：					
Yang Xianzu (g)	楊賢足 (g)	201	—	—	67	268
Wang Lianzhou (g)	王連州 (g)	201	—	—	67	268
Lam, Chi Yuen Nelson (g)	林智遠 (g)	200	—	—	67	267
		7,102	3,093	13	809	11,017

(a) Removed on 25 August 2014.

(b) Appointed on 25 August 2014.

(c) Resigned on 23 November 2014.

(d) Appointed on 23 November 2014.

(e) Resigned on 11 March 2013.

(f) Appointed on 11 March 2013.

(g) Appointed on 27 September 2013.

(a) 於2014年8月25日解聘。

(b) 於2014年8月25日獲委任。

(c) 於2014年11月23日辭任。

(d) 於2014年11月23日獲委任。

(e) 於2013年3月11日辭任。

(f) 於2013年3月11日獲委任。

(g) 於2013年9月27日獲委任。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Retirement scheme contributions	退休計劃供款	155	68
Salaries, allowances and other benefits in kind	薪金、津貼及其他實物福利	8,419	7,350
Equity settled share-based payments (note 26)	以權益結算以股份為 基礎的付款(附註26)	(113)	1,188
		8,461	8,606

The emoluments of the three (2013: three) individuals with the highest emoluments are within the following bands:

		2014 Number of individuals 人數	2013 Number of individuals 人數
HK\$2,500,001 – HK\$3,000,000	2,500,001 港元至 3,000,000 港元	1	2
HK\$3,000,001 – HK\$3,500,000	3,000,001 港元至 3,500,000 港元	—	1
HK\$3,500,001 – HK\$4,000,000	3,500,001 港元至 4,000,000 港元	2	—

8 最高薪人士

五名最高薪人士中有兩名(2013年：兩名)為董事，他們薪酬披露於附註7。其他三名(2013年：三名)人士的薪酬總計如下：

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Retirement scheme contributions	退休計劃供款	155	68
Salaries, allowances and other benefits in kind	薪金、津貼及其他實物福利	8,419	7,350
Equity settled share-based payments (note 26)	以權益結算以股份為 基礎的付款(附註26)	(113)	1,188
		8,461	8,606

三名(2013年：三名)最高薪人士的薪酬介乎以下範圍：

		2014 Number of individuals 人數	2013 Number of individuals 人數
HK\$2,500,001 – HK\$3,000,000	2,500,001 港元至 3,000,000 港元	1	2
HK\$3,000,001 – HK\$3,500,000	3,000,001 港元至 3,500,000 港元	—	1
HK\$3,500,001 – HK\$4,000,000	3,500,001 港元至 4,000,000 港元	2	—

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of the Company of RMB10,746,000 (2013: loss of RMB178,001,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the year:

9 本公司權益股東應佔利潤

本公司權益股東應佔合併利潤包括本公司虧損人民幣10,746,000元(2013年：虧損人民幣178,001,000元)，此金額已在本公司財務報表呈列。

上述金額與本公司年內盈利/(虧損)的對賬：

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	在本公司財務報表呈列的權益股東應佔合併虧損金額	(10,746)	(178,001)
Final dividends from subsidiaries attributable to the profits of the previous financial year approved during the year	本年度批准的歸屬於上一財政年度盈利的來自附屬公司的末期股息	1,200,000	—
Company's profit/(loss) for the year (note 28(a))	本公司年內盈利/(虧損) (附註28(a))	1,189,254	(178,001)

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB512,053,000 (2013: RMB1,177,782,000) and the weighted average of 4,020,798,000 ordinary shares (2013: 2,883,306,000 ordinary shares after adjusting for the capitalisation issue in 2013), calculated as follows:

Weighted average number of ordinary shares

		2014 '000 千股	2013 '000 千股
Issued ordinary shares at 1 January	於1月1日已發行的普通股	4,029,950	42,782
Effect of capitalisation issue	資本化發行的影響	—	2,606,962
Effect of Global Offering and automatic conversion of preference shares	全球發售及自動轉換優先股的影響	—	233,562
Effect of shares repurchased (note 28(c))	已購回股份的影響(附註28(c))	(9,152)	—
Weighted average number of ordinary shares at 31 December	於12月31日的普通股 加權平均數	4,020,798	2,883,306

10 每股盈利

(a) 每股基本盈利

每股基本盈利按本公司權益股東應佔利潤人民幣512,053,000元(2013年：人民幣1,177,782,000元)及4,020,798,000股(2013年：2,883,306,000普通股(經2013年資本化發行調整後))的加權平均數計算，結果如下：

普通股的加權平均數

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

10 EARNINGS PER SHARE (Cont'd)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB512,053,000 (2013: RMB1,347,053,000) and the weighted average number of ordinary shares of 4,060,664,000 shares (2013: 3,423,092,000 shares), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

10 每股盈利(續)

(b) 每股攤薄盈利

每股攤薄盈利按本公司權益股東應佔利潤人民幣512,053,000元(2013年：人民幣1,347,053,000元)及4,060,664,000普通股的加權平均數(2013年：3,423,092,000股)計算，結果如下：

(i) 本公司權益股東應佔利潤(攤薄)

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Profit attributable to equity shareholders of the Company	本公司權益股東應佔利潤	512,053	1,177,782
After tax effect of finance expense on redeemable convertible preference shares	財務開支對可贖回可換股優先股的稅後影響	—	66,000
After tax effect of change in fair value of embedded derivative on redeemable convertible preference shares	嵌入式衍生工具公允價值變動對可贖回可換股優先股的稅後影響	—	103,271
Profit attributable to equity shareholders of the Company (diluted)	本公司權益股東應佔利潤(攤薄)	512,053	1,347,053

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

10 EARNINGS PER SHARE (Cont'd)

(b) Diluted earnings per share (Cont'd)

(ii) Weighted average number of ordinary share (diluted)

10 每股盈利(續)

(b) 每股攤薄盈利(續)

(ii) 普通股加權平均數(攤薄)

	2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Weighted average number of ordinary shares at 31 December 於12月31日的普通股加權平均數	4,020,798	2,883,306
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration 根據本公司的首次公開售股前購股權計劃以零對價視作發行股份的影響	39,866	41,704
Effect of conversion of redeemable convertible preference shares 轉換可贖回可換股優先股的影響	—	498,082
Weighted average number of ordinary shares at 31 December (diluted) 於12月31日的普通股加權平均數(攤薄)	4,060,664	3,423,092

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

II PROPERTY, PLANT AND EQUIPMENT

II 物業、廠房及設備

		Buildings	Motor vehicles	Office equipment	Total
		樓宇	汽車	辦公設備	總計
		RMB' 000	RMB' 000	RMB' 000	RMB' 000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Cost:	成本：				
At 1 January 2013	於 2013 年 1 月 1 日	9,559	35,139	13,477	58,175
Additions	添置	—	21,522	9,351	30,873
Acquisitions through business combination	通過業務合併而收購	—	327	424	751
At 31 December 2013 and 1 January 2014	於 2013 年 12 月 31 日及 2014 年 1 月 1 日	9,559	56,988	23,252	89,799
Additions	添置	210	45,267	11,998	57,475
Acquisitions through business combination (note 27)	通過業務合併而收購 (附註 27)	—	481	51	532
Disposals	出售	—	(1,489)	(95)	(1,584)
At 31 December 2014	於 2014 年 12 月 31 日	9,769	101,247	35,206	146,222

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

II PROPERTY, PLANT AND EQUIPMENT (Cont'd)

II 物業、廠房及設備(續)

		Buildings 樓宇	Motor vehicles 汽車	Office equipment 辦公設備	Total 總計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Accumulated depreciation:	累計折舊：				
At 1 January 2013	於2013年1月1日	—	9,494	3,034	12,528
Charge for the year	年內支出	454	10,807	4,979	16,240
At 31 December 2013 and 1 January 2014	於2013年12月31日及 2014年1月1日	454	20,301	8,013	28,768
Charge for the year	年內支出	454	16,860	8,097	25,411
Written back on disposals	出售時撤回	—	(603)	(58)	(661)
At 31 December 2014	於2014年12月31日	908	36,558	16,052	53,518
Net book value:	賬面淨值：				
At 31 December 2014	於2014年12月31日	8,861	64,689	19,154	92,704
At 31 December 2013	於2013年12月31日	9,105	36,687	15,239	61,031

The buildings are all situated on land in the PRC.

該等樓宇全部位於中國境內。

The analysis of carrying amount of leasehold land of properties is as follows:

物業租賃土地的賬面值分析如下：

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
In the PRC, held under long leases (over 50 years)	在中國根據長期租約(50年以上)持有	8,861	9,105

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

12 INTANGIBLE ASSETS

12 無形資產

		Softwares 軟件 RMB'000 人民幣千元
Cost:	成本：	
At 1 January 2013	於2013年1月1日	463
Additions	添置	1,009
At 31 December 2013 and 1 January 2014	於2013年12月31日及2014年1月1日	1,472
Additions	添置	2,040
At 31 December 2014	於2014年12月31日	3,512
Accumulated amortisation:	累計攤銷：	
At 1 January 2013	於2013年1月1日	22
Charge for the year	年內支出	121
At 31 December 2013 and 1 January 2014	於2013年12月31日及2014年1月1日	143
Charge for the year	年內支出	331
At 31 December 2014	於2014年12月31日	474
Net book values:	賬面淨值：	
At 31 December 2014	於2014年12月31日	3,038
At 31 December 2013	於2013年12月31日	1,329

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

13 GOODWILL

13 商譽

		The Group 本集團 RMB'000 人民幣千元
Cost:	成本：	
At 1 January 2013	於2013年1月1日	—
Addition from acquisition of a subsidiary	收購一家子公司而增加	2,252
At 31 December 2013 and 1 January 2014	於2013年12月31日及2014年1月1日	2,252
Addition from acquisition of a subsidiary (note 27)	收購一家子公司而增加(附註27)	1,379
At 31 December 2014	於2014年12月31日	3,631
Carrying amount:	賬面值：	
At 31 December 2014	於2014年12月31日	3,631
At 31 December 2013	於2013年12月31日	2,252

The Group carried out impairment testing of the goodwill at the end of each reporting period. In assessing the impairment of goodwill, the recoverable amount of the cash generating units ("CGU") is determined. The CGU related to the goodwill comprises the company's knowledge and expertise of the management and existing customers. The directors determined that no impairment of goodwill is necessary as at 31 December 2014 and 2013.

本集團於各報告期末對商譽進行減值測試。在評估商譽減值時，會確定現金產生單位(「現金產生單位」)的可收回金額。與商譽有關的現金產生單位包括公司有關管理及現有客戶的知識及專長。董事認為，於2014年及2013年12月31日毋須對商譽作出減值。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

14 OTHER FINANCIAL ASSETS

(a) Other non-current financial assets

		The Group 本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Available-for-sale unlisted equity securities	可供出售非上市股本證券	25,779	23,618

(b) Available-for-sale investments

		The Group 本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Wealth management products	理財產品	37,000	120,000

At 31 December 2014, the available-for-sale investments represented short-term unlisted wealth management products issued by banks in the PRC which are either redeemable on demand or with maturities within 12 months.

於2014年12月31日，可供出售投資指由中國內地銀行發行的按要求贖回或於12個月內到期的短期非上市理財產品。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

15 合併財務狀況表內的所得稅

(a) 合併財務狀況表內的即期稅項指：

		The Group 本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current tax assets:	即期稅項資產：		
PRC CIT	中國企業所得稅	10,704	6,930
PRC LAT	中國土地增值稅	178,287	104,832
		188,991	111,762
Current tax liabilities:	即期稅項負債：		
PRC CIT	中國企業所得稅	583,545	455,594
PRC dividend withholding tax	中國股息預扣稅	33,038	—
PRC LAT	中國土地增值稅	437,802	477,388
		1,054,385	932,982

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
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15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(b) **Deferred tax assets and liabilities recognised:**

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax assets arising from:

		Tax losses	Advertising costs	Deferred income	PRC LAT	Withholding tax on distributable profits of PRC subsidiaries	Total
		RMB'000	RMB'000	RMB'000	中國土地增值稅撥備	中國子公司可分派溢利預扣稅	RMB'000
		人民幣千元	人民幣千元	人民幣千元	中國土地增值稅撥備	中國子公司可分派溢利預扣稅	人民幣千元
At 1 January 2013	於2013年1月1日	1,161	7,066	114,020	—	—	122,247
Credited/(charged) to the consolidated statement of profit or loss (note 6(a))	於合併損益表計入/(扣除) (附註6(a))	9,304	(2,433)	84,795	—	(63,038)	28,628
At 31 December 2013	於2013年12月31日	10,465	4,633	198,815	—	(63,038)	150,875
At 1 January 2014	於2014年1月1日	10,465	4,633	198,815	—	(63,038)	150,875
Credited/(charged) to the consolidated statement of profit or loss (note 6(a))	於合併損益表計入/(扣除) (附註6(a))	11,063	4,921	(4,947)	68,622	63,038	142,697
At 31 December 2014	於2014年12月31日	21,528	9,554	193,868	68,622	—	293,572

15 合併財務狀況表內的所得稅(續)

(b) **已確認遞延稅項資產及負債：**

於合併財務狀況表確認的遞延稅項資產/(負債)的組成部分及年內的變動如下：

遞延稅項資產由以下各項產生：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(b) Deferred tax assets and liabilities recognised: (Cont'd)

Representing:

		The Group 本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Deferred tax assets	遞延稅項資產	293,572	213,913
Deferred tax liabilities	遞延稅項負債	—	(63,038)
		293,572	150,875

15 合併財務狀況表內的所得稅(續)

(b) 已確認遞延稅項資產及負債：
(續)

指：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of certain subsidiaries of RMB141,785,000 as at 31 December 2014 (2013: RMB36,032,000). The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries.

The unrecognised tax losses will expire by the end of the following years, if unused:

15 合併財務狀況表內的所得稅(續)

(c) 未確認遞延稅項資產

根據附註1(q)所載的會計政策，於2014年12月31日，本集團並未就若干子公司的累計稅項虧損人民幣141,785,000元(2013年：人民幣36,032,000元)確認遞延稅項資產。董事認為不大可能自該等子公司獲得可用於抵銷虧損的未來應課稅利潤。

倘未經使用，未確認的稅項虧損將於以下年份結束時屆滿：

	The Group	
	本集團	
	2014	2013
	RMB'000	RMB'000
	人民幣千元	人民幣千元
2017	80	84
2018	35,644	35,948
2019	106,061	—

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
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15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(d) Deferred tax liabilities not recognised

As set out in note 6(b)(v), withholding tax are levied on Hong Kong companies in respect of dividend distribution arising from profit of PRC subsidiaries. Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2014, the aggregate amounts of undistributed profits of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax were approximately RMB1,502,362,000 (2013: RMB995,334,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that the profits will not be distributed in the foreseeable future.

15 合併財務狀況表內的所得稅(續)

(d) 未確認遞延稅項負債

誠如附註6(b)(v)所載，就中國子公司溢利產生的股利派付香港公司會收預扣稅。由於本集團能控制本集團中國子公司派發利潤的數額及時間，故本集團僅在該等利潤預期將於可預見未來派發的情況下計提遞延稅項負債。

於2014年12月31日，本集團未計提相應股息預扣稅撥備的中國附屬公司之未分派利潤總額約為人民幣1,502,362,000元(2013年：人民幣995,334,000元)，因為本集團控制該等子公司的股息政策且已釐定可能不會於可預見未來分派溢利。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

16 PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2014, the prepayment for acquisition of property, plant and equipment represents the prepayment for purchasing buildings at the consideration of RMB368,535,000.

17 INTEREST IN SUBSIDIARIES

16 收購物業、廠房及設備的預付款項

於2014年12月31日，收購物業、廠房及設備的預付款項指以人民幣368,535,000元的代價購買樓宇的預付款項。

17 於子公司的權益

		The Company 本公司	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Unlisted investment, at cost	按成本計算的非上市投資	79	79
Amounts due from subsidiaries	應收子公司款項	1,317,078	833,847
		1,317,157	833,926

Amount due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are expected to be recovered after more than one year.

應收子公司款項為無抵押、免息及無固定還款期。該等結餘預期於一年以後收回。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

17 INTEREST IN SUBSIDIARIES (Cont'd)

The following list contains the particulars of principal subsidiaries of the Group at 31 December 2014. The class of shares held is ordinary unless otherwise stated.

17 於子公司的權益(續)

下表載列本集團於2014年12月31日的主要子公司的詳情。除非另有說明，否則所持有股份的類別為普通股。

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued and paid up capital 已發行及 已繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Hongkong Hydo Group Investment Company Limited 香港毅德集團投資有限公司	Hong Kong 香港	HK\$100,000 100,000 港元	100%	100%	—	Investment management 投資管理
Hongkong Hydo Holding Limited 香港毅德控股有限公司	Hong Kong 香港	Nil 零	100%	100%	—	Investment management 投資管理
Hydo Estate (Ganzhou) Company Limited ("Hydo Estate (Ganzhou)") 毅德置業(贛州)有限公司* (「毅德置業(贛州)」)	The PRC 中國	USD22,050,000 22,050,000 美元	100%	—	100%	Property development and investment holding 房地產開發 及投資控股
Ningxiang Hydo Guangcai Trade Centre Development Company Limited ("Ningxiang Trade Centre") 寧鄉毅德光彩貿易廣場 開發有限公司* (「寧鄉物流城」)	The PRC 中國	RMB60,000,000 人民幣 60,000,000 元	100%	—	100%	Property development 房地產開發
Jining Hydo Modern Industrial Company Limited 濟寧毅德現代實業有限公司*	The PRC 中國	RMB30,000,000 人民幣 30,000,000 元	100%	—	100%	Investment management 投資管理
Jining Hydo Logistics Centre Development Company Limited ("Jining Logistics Centre") 濟寧毅德物流城開發 有限公司* (「濟寧物流城」)	The PRC 中國	RMB200,000,000 人民幣 200,000,000 元	100%	—	100%	Property development 房地產開發

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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17 INTEREST IN SUBSIDIARIES (Cont'd)

17 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued and paid up capital 已發行及 已繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Mianyang West Modern Trade Centre Development Company Limited ("Mianyang Trade Centre") 綿陽西部現代物流城開發 有限公司*(「綿陽物流城」)	The PRC 中國	RMB200,000,000 人民幣 200,000,000 元	100%	—	100%	Property development 房地產開發
Guangxi Yulin Modern Trade Centre Development Company Limited ("Yulin Trade Centre") 廣西玉林現代物流城開發 有限公司*(「玉林物流城」)	The PRC 中國	RMB220,000,000 人民幣 220,000,000 元	100%	—	100%	Property development 房地產開發
Ningxiang Hydoog Guangcai Trade Centre Property Services Company Limited 寧鄉毅德光彩貿易廣場物業 服務有限公司*	The PRC 中國	RMB3,000,000 人民幣 3,000,000 元	100%	—	100%	Property management services 物業管理服務
Jining Hydoog Modern Logistics Company Limited 濟寧毅德現代物流有限公司*	The PRC 中國	USD99,000,000 99,000,000 美元	100%	—	100%	Property management services 物業管理服務
Shenzhen Hydoog Investment Management Company Limited ("Shenzhen Hydoog") 深圳市毅德投資管理有限公司* (「深圳毅德」)	The PRC 中國	RMB30,000,000 人民幣 30,000,000 元	100%	—	100%	Investment management 投資管理

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
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17 INTEREST IN SUBSIDIARIES (Cont'd)

17 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued and paid up capital 已發行及 已繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Yulin Hydoe Property Management Services Co., Ltd. 玉林毅德物業管理服務 有限公司*	The PRC 中國	RMB1,000,000 人民幣 1,000,000 元	100%	—	100%	Property management services 物業管理服務
Ganzhou Hydoe Commercial and Trade Logistics Park Development Co., Ltd. ("Ganzhou Trade Centre") 贛州毅德商貿物流園開發 有限公司*(「贛州商貿物流園」)	The PRC 中國	RMB800,000,000 人民幣 800,000,000 元	100%	—	100%	Property development 房地產開發
Wuzhou Hydoe Commercial and Trade Centre Development Co., Ltd. ("Wuzhou Trade Centre") 梧州毅德商貿物流城開發 有限公司*(「梧州商貿物流城」)	The PRC 中國	RMB300,000,000 人民幣 300,000,000 元	100%	—	100%	Property development 房地產開發
Mianyang Hydoe Property Services Company Limited 綿陽毅德物業服務有限公司*	The PRC 中國	RMB1,000,000 人民幣 1,000,000 元	100%	—	100%	Property management services 物業管理服務
Heze Hydoe Commercial and Trade Centre Company Limited ("Heze Trade Centre") 荷澤毅德商貿物流城 有限公司*(「荷澤商貿物流城」)	The PRC 中國	RMB300,000,000 人民幣 300,000,000 元	100%	—	100%	Property development 房地產開發

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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17 INTEREST IN SUBSIDIARIES (Cont'd)

17 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued and paid up capital 已發行及 已繳足股本詳情	Proportion of ownership interest 所有權比例			
			Group's effective interest 本集團 實際權益	Held by the Company 本公司所持	Held by a subsidiary 子公司所持	Principal activities 主要業務
Jining Hydoo Commercial Operation and Management Company Limited 濟寧毅德商業運營管理 有限公司*	The PRC 中國	RMB2,000,000 人民幣 2,000,000 元	100%	—	100%	Property management services 物業管理服務
Xingning Hydoo Commercial and Trade Centre Company Limited ("Xingxing Trade Centre") 興寧毅德商貿物流城 有限公司*(「興寧商貿物流城」)	The PRC 中國	RMB200,000,000 人民幣 200,000,000 元	80%	—	80%	Property development 房地產開發
Ganzhou Hydoo Property Services Company Limited 贛州毅德物業服務有限公司*	The PRC 中國	RMB3,000,000 人民幣 3,000,000 元	100%	—	100%	Property management services 物業管理服務
Yantai Hydoo International Commercial and Trade Centre Company Limited ("Yantai Trade Center") 煙台毅德國際商貿城 有限公司*(「煙台商貿物流城」)	The PRC 中國	RMB183,000,000 人民幣 183,000,000 元	100%	—	100%	Property development 房地產開發
Lanzhou Hydoo Commercial and Trade Centre Company Limited ("Lanzhou Trade Centre") 蘭州毅德商貿城有限公司* (「蘭州商貿城」)	The PRC 中國	RMB300,000,000 人民幣 300,000,000 元	100%	—	100%	Property development 房地產開發

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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17 INTEREST IN SUBSIDIARIES (Cont'd)

17 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued and paid up capital 已發行及 已繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Ganzhou Hydoo Commercial and Operation Management Company Limited 贛州毅德商業營運管理 有限公司*	The PRC 中國	USD50,000,000 50,000,000 美元	100%	—	100%	Property management services 物業管理服務
Ganzhou Jiuzhi Property Management Services Company Limited 贛州市久治物業管理 有限公司*	The PRC 中國	RMB5,200,000 人民幣 5,200,000 元	51%	—	51%	Property management services 物業管理服務
Yantai Hydoo Commercial Trade Company Limited 煙台毅德商貿有限公司*	The PRC 中國	USD6,000,000 6,000,000 美元	100%	—	100%	Trading of building-related materials 買賣建築 相關材料
Shenzhen Qianhai Hydoo Business Management Company Limited 深圳市前海毅德商業管理 有限公司*	The PRC 中國	Nil 零	100%	—	100%	Property Management services 物業管理服務
Shenzhen Qianhai Hydoo Finance Holding Company Limited 深圳市前海毅德金融控股 有限公司*	The PRC 中國	Nil 零	100%	—	100%	Investment management 投資管理

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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17 INTEREST IN SUBSIDIARIES (Cont'd)

17 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued and paid up capital 已發行及 已繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Tianjin Hydoo Commercial and Trade Centre Company Limited 天津毅德城發展有限公司*	The PRC 中國	RMB200,000,000 人民幣 200,000,000 元	100%	—	100%	Property development 房地產開發
Qingdao Hydoo Investment Company Limited 青島毅德投資有限公司*	The PRC 中國	RMB500,000,000 人民幣 500,000,000 元	100%	—	100%	Investment management 投資管理
Huaiyuan Hydoo Commercial and Trade Centre Company Limited ("Huaiyuan Trade Centre") 懷遠毅德城發展有限公司* (「懷遠毅德城」)	The PRC 中國	RMB100,000,000 人民幣 100,000,000 元	60%	—	60%	Property development 房地產開發
Jiamusi Hydoo Commercial and Trade Centre Company Limited 佳木斯毅德商貿物流城有限公司*	The PRC 中國	Nil 零	100%	—	100%	Property development 房地產開發
Jinan Dezhong Investment Company Limited 濟南德眾投資有限公司*	The PRC 中國	RMB10,000,000 人民幣 10,000,000 元	60%	—	60%	Investment management 投資管理
Jiangxi Haode Shangqing Advertisement Company Limited ("Haode Shangqing") 江西豪德商情廣告有限公司* (「豪德商情」)	The PRC 中國	RMB2,000,000 人民幣 2,000,000 元	100%	—	100%	Advertising services 廣告服務

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
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17 INTEREST IN SUBSIDIARIES (Cont'd)

17 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued and paid up capital 已發行及 已繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Shenzhen Hydoo International Holding Company Limited 深圳市毅德國際控股有限公司*	The PRC 中國	RMB300,000,000 人民幣 300,000,000 元	100%	—	100%	Investment management 投資管理
Hydoo International Logistics (Shenzhen) Company Limited 毅德國際物流(深圳)有限公司*	The PRC 中國	USD20,000,000 20,000,000 美元	100%	—	100%	Logistics services 物流服務
Bright Ocean Business Management (Shenzhen) Company Limited 時光海商業管理(深圳)有限公司*	The PRC 中國	Nil 零	85%	—	85%	Property management services 物業管理服務
Jining Bright Ocean Business Management Company Limited 濟寧時光海商業管理有限公司*	The PRC 中國	Nil 零	85%	—	85%	Property management services 物業管理服務
Jinan Bright Ocean Business Management Company Limited 濟南時光海商業管理有限公司*	The PRC 中國	RMB50,000,000 人民幣 50,000,000 元	85%	—	85%	Property management services 物業管理服務
Mianyang Hydoo Business Management Company Limited 綿陽毅德商業管理有限公司*	The PRC 中國	Nil 零	100%	—	100%	Property management services 物業管理服務

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

17 INTEREST IN SUBSIDIARIES (Cont'd)

17 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued and paid up capital 已發行及 已繳足股本詳情	Proportion of ownership interest 所有權比例				Principal activities 主要業務
			Group's effective interest 本集團 實際權益	Held by the Company 本公司所持	Held by a subsidiary 子公司所持		
Heze Hydoo Business Management Company Limited 菏澤毅德商業管理有限公司*	The PRC 中國	Nil 零	100%	—	100%	Property Management services 物業管理服務	
Trade Logistics Enterprises Limited 業運企業有限公司	British Virgin Islands 英屬維爾京群島	USD1 1 美元	100%	100%	—	Investment management 投資管理	
Hongkong China Hydoo Logistic Limited 香港中國毅德物流有限公司	Hongkong 香港	HK\$1 1 港元	100%	—	100%	Investment management 投資管理	
Abundant Idea Investments Limited 訊溢投資有限公司	British Virgin Islands 英屬維爾京群島	USD1 1 美元	100%	100%	—	Investment management 投資管理	
Hongkong Deshang Bright Ocean Limited 香港德尚時光海有限公司	Hongkong 香港	HK\$30,000,000 30,000,000 港元	85%	—	85%	Investment management 投資管理	
Zhuoying Limited 卓盈有限公司	British Virgin Islands 英屬維爾京群島	USD1 1 美元	100%	100%	—	Investment management 投資管理	
Copious Epoch Limited 世溢有限公司	British Virgin Islands 英屬維爾京群島	USD1 1 美元	100%	100%	—	Investment management 投資管理	

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
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17 INTEREST IN SUBSIDIARIES (Cont'd)

17 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued and paid up capital 已發行及 已繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Ningxiang Hydoo Business Management Company Limited 寧鄉毅德商業管理有限公司*	The PRC 中國	Nil 零	100%	—	100%	Property management services 物業管理服務
Qingdao Hydoo Shiji Properties Company Limited 青島毅德時基置業有限公司*	The PRC 中國	Nil 零	65%	—	65%	Dormant 暫無活動
Heze Hydoo Industrial Company Limited 菏澤毅德城實業有限公司*	The PRC 中國	Nil 零	100%	100%	—	Property development 房地產開發

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

* 該等實體均為中國的有限責任公司。公司名稱的英文翻譯僅供參考。該等公司的官方名稱為中文。

The directors consider that no individual non-controlling interest is considered material to the Group as at 31 December 2014 and 2013.

於2014及2013年12月31日，董事認為，概無附屬公司個別地擁有對本集團屬重大的非控股權益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

18 存貨

(a) 合併財務狀況表內的存貨包括：

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Property development	物業開發		
Properties held for future development for sale	待售未來待開發物業	1,577,477	1,495,128
Properties under development for sale	待售在建物業	3,566,207	2,043,265
Completed properties held for sale	待售已完工物業	2,544,436	1,852,241
		7,688,120	5,390,634
Others	其他		
Low-value consumption goods	低值易耗品	572	192
		7,688,692	5,390,826

As at 31 December 2014, certain properties under development for sale and completed properties held for sale, properties held for future development for sale were pledged for certain bank loans granted to the Group (note 23).

於2014年12月31日，若干待售在建物業、待售已完工物業及待售未來待開發物業用作本集團獲授若干銀行貸款的抵押(附註23)。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

18 INVENTORIES (Cont'd)

- (b) Properties held for future development for sale in the consolidated statement of financial position comprise:

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered after more than one year	預期於一年以後收回	1,577,477	1,495,128

- (c) Properties under development for sale in the consolidated statement of financial position comprise:

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	1,330,158	852,921
Expected to be recovered after more than one year	預期於一年以後收回	2,236,049	1,190,344
		3,566,207	2,043,265

18 存貨(續)

- (b) 合併財務狀況表內的待售未來待開發物業包括：

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered after more than one year	預期於一年以後收回	1,577,477	1,495,128

- (c) 合併財務狀況表內的待售在建物業包括：

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	1,330,158	852,921
Expected to be recovered after more than one year	預期於一年以後收回	2,236,049	1,190,344
		3,566,207	2,043,265

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
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18 INVENTORIES (Cont'd)

- (d) Completed properties held for sale in the consolidated statement of financial position comprise:

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	2,121,871	1,262,194
Expected to be recovered after more than one year	預期於一年以後收回	422,565	590,047
		2,544,436	1,852,241

- (e) The analysis of carrying amount of leasehold land included in property development for sale is as follows:

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Held under	根據以下各項持有		
– long leases (over 50 years) in the PRC	– 於中國的長期租約(50年以上)	393,973	286,566
– medium-term leases (10-50 years) in the PRC	– 於中國的中期租約(10至50年)	2,655,843	2,402,815

18 存貨(續)

- (d) 合併財務狀況表內待售已完工的物業包括：

	2014	2013
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Expected to be recovered within one year	2,121,871	1,262,194
Expected to be recovered after more than one year	422,565	590,047
	2,544,436	1,852,241

- (e) 計入物業開發的租賃土地的賬面值分析如下：

	2014	2013
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Held under		
– long leases (over 50 years) in the PRC	393,973	286,566
– medium-term leases (10-50 years) in the PRC	2,655,843	2,402,815

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

19 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS 19 貿易及其他應收款項、預付款項及定金

		The Group 本集團		The Company 本公司	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Trade and bill receivables (note (a))	貿易應收款項及應收票據 (附註(a))	27,393	12,893	—	—
Prepaid business tax and other taxes	預付營業稅及其他稅項	137,761	124,883	—	—
Deposits, prepayments and other receivables (note (b))	定金、預付款項及其他 應收款項(附註(b))	968,739	545,165	—	—
Amounts due from subsidiaries (note (c))	應收子公司款項(附註(c))	—	—	1,243,150	1,278,062
		1,133,893	682,941	1,243,150	1,278,062

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade and bill receivables (net of allowance for doubtful debts) based on the date the relevant trade and bill receivables recognised is as follows:

(a) 賬齡分析

於報告期末，按相關貿易應收款項及應收票據獲確認的日期劃分的貿易應收款項及應收票據(扣除呆賬撥備)的賬齡分析如下：

		The Group 本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Within 1 month	1個月以內	17,971	11,769
1 to 3 months	1至3個月	4,516	531
3 to 6 months	3至6個月	4,906	593
		27,393	12,893

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

19 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(Cont'd)

The details on the Group's credit policy are set out in note 29(a).

Trade and bill receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding contracts.

The directors are of the view that all trade and bill receivables are neither individually nor collectively considered to be impaired as at 31 December 2014.

(b) The balance includes prepayments for leasehold land of RMB421,327,000 (2013: RMB379,481,000).

(c) Amount due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

20 RESTRICTED CASH

At 31 December 2014 and 2013, the restricted cash were pledged to banks for certain mortgage facilities granted to purchasers of the Group's properties.

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

19 貿易及其他應收款項、預付款項及定金(續)

本集團的信貸政策的詳情載於附註29(a)。

貿易應收款項及應收票據主要與物業銷售所得款項有關。物業銷售所得款項是根據相應協議條款一次性支付或分期支付。

董事認為，所有貿易應收款項及應收票據於2014年12月31日既無個別亦無共同被視為減值。

(b) 結餘包括租賃土地的預付款項人民幣421,327,000元(2013年：人民幣379,481,000元)。

(c) 應收子公司款項為無抵押、免息及無固定還款期。

20 受限制現金

於2014及2013年12月31日，受限制現金已就授予本集團物業買方的若干按揭融資抵押予銀行。

21 現金及現金等值物

(a) 現金及現金等值物包括：

		The Group 本集團		The Company 本公司	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Cash at bank and in hand	銀行存款及現金	1,819,029	4,292,994	133,275	15

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

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21 CASH AND CASH EQUIVALENTS (Cont'd)

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

		Note	2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
		附註		
Profit before taxation	除稅前利潤		837,426	2,324,859
Adjustments for:	就下列項目調整：			
Depreciation and amortisation	折舊攤銷	5(c)	25,742	16,361
Net loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損淨額		708	—
Finance income	財務收入	5(a)	(19,993)	(11,079)
Finance costs	融資成本	5(a)	8,840	70,183
Change in fair value of embedded derivative on redeemable convertible preference shares	可贖回可換股優先股嵌入式衍生工具的公允值變動		—	103,271
Equity settled share-based payments	以權益結算以股份為基礎的付款	5(b)	2,010	5,707
Net gain on disposal of available-for-sale investments	出售可供出售投資收益淨額	4	(44,360)	(14,562)
Dividend income	股息收入	4	(3,243)	(4,019)
			807,130	2,490,721
Changes in working capital:	營運資金變動：			
Increase in inventories	存貨增加		(2,174,301)	(1,979,272)
Increase in trade and other receivables, prepayments and deposits	貿易及其他應收款項、預付款項及定金增加		(450,405)	(12,506)
Increase in restricted cash	受限制現金增加		(95,124)	(80,589)
Increase in trade and other payables	貿易及其他應付款項增加		146,456	2,134,200
Increase in deferred income	遞延收入增加		24,231	339,342
Cash (used in)/generated from operations	經營業務(所用)／所得現金		(1,742,013)	2,891,896

21 現金及現金等值物(續)

(b) 除稅前利潤與經營業務(所用)／所得現金的對賬：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

22 TRADE AND OTHER PAYABLES

22 貿易及其他應付款項

		The Group 本集團		The Company 本公司	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Trade payables (note (a))	貿易應付款項(附註(a))	1,720,433	1,267,036	—	—
Receipts in advance (note (b))	預收款項(附註(b))	2,013,186	2,376,504	—	—
Other payables and accruals (note (c))	其他應付款項及應計費用 (附註(c))	241,596	184,564	208	—
Amounts due to subsidiaries	應付子公司款項	—	—	30,412	4,596
Total	總額	3,975,215	3,828,104	30,620	4,596

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

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22 TRADE AND OTHER PAYABLES (Cont'd)

Notes:

- (a) Included in trade and other payables are trade creditors with the following ageing analysis as at the end of the reporting period:

		The Group 本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Due within 1 month or on demand	於1個月內到期或按要求償還	712,272	467,596
Due after 1 month but within 3 months	於1個月後但於3個月內到期	335,133	132,982
Due after 3 months but within 6 months	於3個月後但於6個月內到期	589,107	599,780
Due after 6 months	於6個月後到期	83,921	66,678
		1,720,433	1,267,036

Trade payables mainly represent amounts due to contractors. Payment to contractors is in installments according to progress and agreed milestones. The Group normally retains 2% to 10% as retention money.

At 31 December 2014, included in trade payables are retention payables of RMB12,048,000 (2013: RMB28,847,000), which are expected to be settled after more than one year.

- (b) Receipts in advance primarily consisted of deposits and down payments from customers for purchases of the Group's properties. Such proceeds were recorded as current liabilities before the associated sales were recognised. Sale of properties is subsequently recognised to the profit or loss in accordance with the Group's accounting policy as set out in note 1(s)(i).
- (c) At 31 December 2014, included in other payables and accruals are deposits of RMB6,637,000 (2013: RMB23,962,000), which are expected to be settled after more than one year. All of the other payables and accrued expenses are expected to be settled within one year.

22 貿易及其他應付款項(續)

附註：

- (a) 於報告期末，貿易及其他應付款項包括應付賬款，其賬齡分析如下：

		The Group 本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Due within 1 month or on demand	於1個月內到期或按要求償還	712,272	467,596
Due after 1 month but within 3 months	於1個月後但於3個月內到期	335,133	132,982
Due after 3 months but within 6 months	於3個月後但於6個月內到期	589,107	599,780
Due after 6 months	於6個月後到期	83,921	66,678
		1,720,433	1,267,036

應付貿易款項主要指應付承建商款項。本集團根據進度及工程重要節點向承建商分期付款。本集團一般保留2%至10%相關款項作為保證金。

於2014年12月31日，計入應付貿易款項的應付保證金為人民幣12,048,000元（2013年：人民幣28,847,000元），預期於一年後結算。

- (b) 預收款項主要包括來自購買本集團物業的客戶的定金及分期付款。該等所得款項是於相關銷售獲確認前入賬為流動負債。物業銷售隨後根據附註1(s)(i)所載本集團的會計政策於損益確認。
- (c) 於2014年12月31日，計入其他應付款項及應計款項的定金為人民幣6,637,000元（2013年：人民幣23,962,000元），該等款項預期將於一年後結算。所有其他應付款項及應計開支預期將於一年內結算。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

23 BANK LOANS AND OTHER BORROWINGS

At 31 December 2014, the Group's bank loans and other borrowings were repayable as follows:

23 銀行貸款及其他借貸

於2014年12月31日，本集團的銀行貸款及其他借貸的償還情況如下：

		The Group 本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current	流動		
Secured	有抵押		
– short-term bank loans and other borrowings	– 短期銀行貸款及其他借貸	145,000	70,000
– current portion of secured non-current bank loans and other borrowings	– 有抵押非流動銀行貸款及其他借貸的流動部分	224,500	183,860
Unsecured	無抵押		
– short term bank loans	– 短期銀行貸款	—	28,000
		369,500	281,860
Non-current	非流動		
Secured	有抵押		
– repayable after 1 year but within 2 years	– 一年後但兩年內還款	399,230	181,000
– repayable after 2 years but within 5 years	– 兩年後但五年內還款	793,370	421,000
		1,192,600	602,000
		1,562,100	883,860

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

23 BANK LOANS AND OTHER BORROWINGS (Cont'd)

- (a) Certain banking facilities and borrowings of the Group are subject to the fulfillment of covenants relating to: (1) certain of the Group's operating subsidiaries' statement of financial position ratios; (2) restriction of profit distribution by certain of its operating subsidiaries; or (3) early repayment of principal to be triggered when 70% of the gross sellable area for the underlying property project are sold. These requirements are commonly found in lending arrangements with financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders as and when the directors foresee any non-compliance due to business needs.

At 31 December 2014, bank loans of the Group totaling RMB386,600,000 (2013: RMB130,200,000) were not in compliance with the imposed covenants. Such non-compliance primarily relates to operating subsidiaries which failed to achieve certain statement of financial position ratio at the end of the reporting period. The directors of the Company are of the view that bank loans amounted to RMB291,600,000 (2013: RMB130,200,000) are non-current liabilities at 31 December 2014 as the Group has obtained notices from the corresponding banks dated 31 December 2014, which confirmed that the subsidiaries would not be regarded as having breached the covenants and the banks would not demand early repayment from these subsidiaries. The remaining RMB95,000,000 (2013: nil) was classified as current liabilities in the consolidated statement of financial position at 31 December 2014.

- (b) At 31 December 2014, certain secured bank loans of the Group totaling RMB58,500,000 (2013: RMB168,660,000) were guaranteed by a subsidiary of the Group and a third party.

23 銀行貸款及其他借貸(續)

- (a) 本集團的若干銀行融資及借貸須待有關下列各項的契諾達成後，方會作實：(1)本集團若干營運附屬公司的財務狀況比率指標；(2)按其若干營運附屬公司分配股利限制；或(3)當相關物業項目的可售總面積的70%被出售時須優先償還貸款行貸款。該等規定常見於與金融機構訂立的貸款安排。倘本集團違反有關限制，則已提取的融資將需按貸款人要求隨時償還。本集團定期監控其遵守該等限制的情況；且當董事預期由於業務需求導致無法遵守時，本集團會與貸款人溝通。

於2014年12月31日，本集團的銀行貸款合共人民幣386,600,000元(2013年：人民幣130,200,000元)未遵守所施加的限制。該未遵守情況主要與未於報告期末實現若干財務狀況比率指標的營運子公司有關。本公司董事認為，於2014年12月31日，有關銀行貸款人民幣291,600,000元(2013年：人民幣130,200,000元)為非流動負債，因為本集團已於2014年12月31日取得相應銀行的通知。通知確認該等子公司不會被視為違反限制及該等銀行不會要求該等子公司提前還款。餘下人民幣95,000,000元(2013年：零)於2014年12月31日的合併財務狀況表內獲分類為流動負債。

- (b) 於2014年12月31日，本集團合共為人民幣58,500,000元(2013年：人民幣168,660,000元)的若干有抵押銀行貸款由本集團子公司及一名獨立第三方共同提供擔保。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

23 BANK LOANS AND OTHER BORROWINGS (Cont'd)

- (c) Bank loans and other borrowings bear interest ranging from 6.40% to 10.23% per annum for the year ended 31 December 2014 (2013: 6.40% to 17.00% per annum), and are secured by the following assets:

23 銀行貸款及其他借貸(續)

- (c) 於截至2014年12月31日止年度，銀行貸款及其他借貸分別按介乎6.40%至10.23%的年利率(2013年：6.40%至17.00%)計息，並以下列資產作抵押：

		The Group	
		本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Properties under development for sale	待售在建物業	981,722	722,620
Completed properties held for sale	待售已完工物業	904,770	460,535
Properties held for future development for sale	待售未來待開發物業	252,088	133,360
		2,138,580	1,316,515

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

24 DEFERRED INCOME

24 遞延收入

		The Group 本集團	
		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
At 1 January	於1月1日	863,925	524,583
Movement during the year	年內變動		
– Government grants recognised (note (i))	– 已確認政府補助(附註(i))	345,736	957,753
– Deferred income in relation to sale and operating leaseback arrangement (note(ii))	– 有關銷售及經營售後租回的遞延收入(附註(ii))	—	2,527
– Amortisation of government grants during the year	– 年內政府補助攤銷	(321,505)	(620,938)
		888,156	863,925
Included under:	計入以下項目：		
Current liabilities	流動負債	882,313	858,082
Non-current liabilities	非流動負債	5,843	5,843
		888,156	863,925

Notes:

- (i) Pursuant to the respective agreements between the Group and local governments, such grants are for subsidising the infrastructure construction of certain projects undertaken by certain subsidiaries of the Group, including Ningxiang Trade Centre, Yulin Trade Centre, Jining Logistics Centre, Mianyang Trade Centre, Ganzhou Trade Centre, Wuzhou Trade Centre, Yantai Trade Centre, Heze Trade Centre, Lanzhou Trade Centre, Huaiyuan Trade Centre and Xingning Trade Centre.
- (ii) In connection with certain sale agreements entered into by Jining Logistics Centre for sale of properties, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for terms of 3 to 10 years at agreed rental rates. Upon recognition of the sale of such properties, a portion of the sale proceeds, which represents the excess of sale price over fair value of such properties, is recognised as deferred income and amortised over the respective lease terms.

附註：

- (i) 根據本集團與地方政府訂立的各項協議，有關補助須用於資助本集團若干附屬公司所承辦若干項目的基礎建設，該等項目包括寧鄉物流城、玉林物流城、濟寧物流城、綿陽物流城、贛州商貿物流園、梧州商貿物流城、煙台商貿物流城、荷澤商貿物流城、蘭州商貿城、懷遠毅德城及興寧商貿物流城。
- (ii) 基於濟寧物流城簽訂的若干物業銷售協議，本集團隨後按照協定的租金以經營租賃方式自有關買方租回若干已售物業，租期為3至10年。該等物業確認出售後，其售價超出公允價值部分的款項已確認為遞延而收入於相關租期攤銷。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

25 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans ranging from 10% to 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member’s retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

26 EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme (the “Pre-IPO Share Option Scheme”), which was first adopted on 30 November 2011, whereby the directors of the Company were authorised, at their discretion, to invite employees of the Group, including directors of any entity comprising in the Group, to take up options to subscribe for shares of the Company. Additional options were granted to certain employees of the Group on 16 October 2012 and 20 March 2013 respectively. After such grants, a total number of 1,715 share options were granted to employees. Each option gives the holder the right to subscribe for 1 ordinary share in the Company and is settled gross in shares.

25 僱員退休福利

定額供款退休計劃

本集團按照香港強制性公積金計劃條例的規定為根據香港僱傭條例管轄範圍受僱的僱員設立一項強制性公積金計劃（「強積金計劃」）。強積金計劃是由獨立信託人管理的定額供款退休計劃。根據強積金計劃，僱主及僱員均須按照僱員相關收入的5%向計劃供款，惟每月相關收入上限為30,000港元。此計劃的供款即時歸屬。

中國法規規定，本集團須為其僱員參與省市級政府所組織的各種定額供款退休計劃。本集團須按僱員工資、花紅及若干津貼的10%至20%向退休計劃供款。參加計劃的員工有權獲得相當於按其退休時工資的固定比率計算的退休金。除上述年度供款外，本集團毋須就與此等計劃相關的退休金福利承擔其他重大付款責任。

26 以權益結算以股份為基礎的付款

本公司於2011年11月30日首次採納購股權計劃（「首次公開售股前購股權計劃」），據此，本公司董事獲授權由他們酌情決定，邀請本集團僱員（包括本集團旗下任何實體的董事）接納購股權以認購本公司的股份。額外的購股權分別於2012年10月16日及2013年3月20日授予本集團若干僱員。在授出該等購股權後，總數為1,715份購股權已授予僱員。每份購股權賦予持有人權利認購本公司1股普通股，並以股份全數結算。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

26 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(a) The terms and conditions of the options granted are as follows:

		Number of instruments 工具數目	Contractual life of options 購股權合約期
(i) Options granted on 30 November 2011	(i) 於2011年11月30日 授出的購股權		
– directors	– 董事	325	85 months 85個月
– employees	– 僱員	1,180	85 months 85個月
Vesting date		Percentage of vested shares	
歸屬日期		已歸屬股份的百分比	
31 December 2012	2012年12月31日	25%	
31 December 2013	2013年12月31日	50%	
31 December 2014	2014年12月31日	75%	
31 December 2015	2015年12月31日	100%	

26 以權益結算以股份為基礎的付款(續)

(a) 授出的條款及條件如下：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

26 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(a) The terms and conditions of the grants are as follows: (Cont'd)

		Number of instruments 工具數目	Contractual life of options 購股權合約期
(ii)	Options granted on 16 October 2012 – employees	(ii) 於2012年10月16日授出的購股權 – 僱員	191 74 months 74個月
	Vesting date		Percentage of vested shares 已歸屬 股份的百分比
	歸屬日期		
	31 December 2013	2013年12月31日	25%
	31 December 2014	2014年12月31日	50%
	31 December 2015	2015年12月31日	75%
	31 December 2016	2016年12月31日	100%
(iii)	Options granted on 20 March 2013 – directors	(iii) 於2013年3月20日授出的購股權 – 董事	19 69 months 69個月
	Vesting date		Percentage of vested shares 已歸屬 股份的百分比
	歸屬日期		
	31 December 2014	2014年12月31日	25%
	31 December 2015	2015年12月31日	50%
	31 December 2016	2016年12月31日	75%
	31 December 2017	2017年12月31日	100%

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

26 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(a) The terms and conditions of the grants are as follows: (Cont'd)

The options are exercisable from six months after the Company's Global Offering date to 31 December 2018.

Pursuant to the relevant terms of the Pre-IPO Share Option Scheme, on 31 October 2013, being the listing date of the share of the Company in Stock Exchange of Hong Kong Listed, each share with a par value of US\$1.00 each under each option granted was automatically adjusted to 48,000 options and the exercise price of each option was adjusted from HK\$48,654 to HK\$1.014 accordingly.

(b) The number and the weighted average exercise price of share option are as follows:

		2014		2013	
		Weighted average exercise price 加權平均行使價	Number of Share Options 購股權數目	Weighted average exercise price 加權平均行使價	Number of Share Options 購股權數目
Outstanding at 1 January	於1月1日未行使	HK\$1.014	82,320,000	HK\$1.014	81,420,000
Granted during the year	年內授出	—	—	HK\$1.014	900,000
Forfeited during the year	年內沒收	HK\$1.014	(13,605,000)	—	—
Outstanding at 31 December	於12月31日未行使	HK\$1.014	68,715,000	HK\$1.014	82,320,000
Exercisable at 31 December	於12月31日可行使	HK\$1.014	51,932,500	—	—

The options outstanding at 31 December 2014 had a remaining contractual weighted average contractual life of 4 years (2013: 5 years).

26 以權益結算以股份為基礎的付款(續)

(a) 授出的條款及條件如下：(續)

該等購股權可於本公司全球發售日期後六個月起至2018年12月31日行使。

根據首次公開發售前購股權計劃的相關條款，於2013年10月31日（即本公司股份於香港聯合交易所有限公司上市日期），已授出各份購股權下每股面值為1.00美元的股份已自動調整為48,000份購股權，且每份購股權的每股股份行使價已相應由48,654港元調整為1.014港元。

(b) 購股權的數目及加權平均行使價如下：

於2014年12月31日未行使購股權擁有4年的餘下加權平均合約期（2013年：5年）。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

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27 ACQUISITION OF A SUBSIDIARY

On 30 May 2014, the Group acquired 100% equity interest in Haode Shangqing from Mr. Wang Desheng, one of the controlling shareholders of the Group, for a consideration of RMB2,000,000. Haode Shangqing is engaged in provision of marketing and advertising services.

The acquisition has the following effect on the Group's assets and liabilities at the acquisition date:

27 收購子公司

於2014年5月30日，本集團向本集團的控股股東之一王德盛先生收購豪德商情的全部股權，代價為人民幣2,000,000元。豪德商情從事提供市場推廣及營銷服務。

該收購對本集團於收購日期的資產及負債有以下影響：

		RMB'000
		人民幣千元
Cash and cash equivalents	現金及現金等值物	184
Other receivables and prepayments	其他應收款項及預付款	547
Property, plant and equipment	物業、廠房及設備	532
Intangible assets	無形資產	13
Trade and other payables	貿易及其他應付款項	(655)
Fair value of net identifiable assets acquired	已收購可識別資產淨值的公允值	621
Goodwill	商譽	1,379
Consideration	代價	2,000
Less: cash and cash acquired	減：現金及已收購現金	(184)
Net cash outflow	現金流出淨額	1,816

Had the acquisition been occurred on 1 January 2014, the Group's consolidated turnover for the year ended 31 December 2014 would have been increased by RMB216,000, and the Group's consolidated profit for the year ended 31 December 2014 would have been decreased by RMB741,000.

倘收購於2014年1月1日發生，本集團於截至2014年12月31日止年度的合併收入應增加人民幣216,000元，及本集團截至2014年12月31日止年度的合併利潤應減少人民幣741,000元。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the years are set out below:

		Share capital	Share premium	Capital reserve	Equity settled share-based payment reserve	Exchange reserve	Accumulated losses	Total equity
	Note	RMB'000	RMB'000	RMB'000	以權益結算以股份支付為基礎儲備	匯兌儲備	累計虧損	權益總額
	附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		28(c)	28(d)(i)	28(d)(v)	28(d)(iv)	28(d)(iii)		
At 1 January 2013	於2013年1月1日	365	—	343,965	6,568	1,626	(387,017)	(34,493)
Changes in equity for 2013:	2013年權益變動：							
Total comprehensive income for the year	年內全面收入總額	—	—	—	—	(13,896)	(178,001)	(191,897)
Net proceeds from issue of ordinary shares upon the Global Offering, net off issuing cost	於全球發售時發行普通股所得款項淨額抵銷發行成本	6,182	1,279,687	—	—	—	—	1,285,869
Capitalisation issue	資本化發行	25,321	(25,321)	—	—	—	—	—
Automatic conversion of redeemable convertible preference shares	自動轉換可贖回可換股優先股	77	—	1,021,939	—	—	—	1,022,016
Equity settled share-based transactions	以權益結算以股份為基礎的交易	—	—	—	5,707	—	—	5,707
Capitalisation of special dividend	資本化特別利息	—	—	20,205	—	—	—	20,205
At 31 December 2013	於2013年12月31日	31,945	1,254,366	1,386,109	12,275	(12,270)	(565,018)	2,107,407

28 股本、儲備及股息

(a) 權益組成部分的變動

本集團合併權益各組成部分的年初與年終結餘的對賬載於合併權益變動表。本公司權益個別組成部分於年初至年末的變動詳情載列如下：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(a) Movements in components of equity (Cont'd)

		Share capital 股本	Share premium 股份溢價	Capital redemption reserve 資本贖回儲備	Capital reserve 資本儲備	Equity settled share-based payment reserve 以權益 結算以 股份支付為 基礎儲備	Exchange reserve 匯兌儲備	(Accumulated losses)/ Retained profits (累計虧損) / 保留利潤	Total equity 權益總額
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
附註		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		28(c)	28(d)(i)	28(c)	28(d)(v)	28(d)(iv)	28(d)(iii)		
At 1 January 2014	於2014年1月1日	31,945	1,254,366	—	1,386,109	12,275	(12,270)	(565,018)	2,107,407
Changes in equity for 2014:	2014年權益變動：								
Total comprehensive income for the year	年內全面收入總額	—	—	—	—	—	20,745	1,189,254	1,209,999
Repurchase and cancellation of shares	購回及註銷股份	28(c)	(120)	(32,145)	120	—	—	—	(32,145)
Dividends approved in respect of the previous year	過往年度所 批准的股息	28(b)	—	—	—	—	—	(624,309)	(624,309)
Equity settled share-based transactions	以權益結算以股份 為基礎的交易		—	—	—	1,606	—	404	2,010
At 31 December 2014	於2014年12月31日	31,825	1,222,221	120	1,386,109	13,881	8,475	331	2,662,962

28 股本、儲備及股息(續)

(a) 權益組成部分的變動(續)

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Final dividend proposed after the end of the reporting period of HK6 cents per ordinary share (2013: HK19.5 cents per ordinary share)	192,457	616,582

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

報告期末並無確認報告期後擬派末期股息為負債。

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Final dividend in respect of the previous financial year, approved and paid during the following year, of HK19.5 cents per ordinary share (2013: nil)	624,309	—

(ii) 本年度批准及派付的歸屬於上一財政年度的應付本公司權益股東股息

28 股本、儲備及股息(續)

(b) 股息

(i) 歸屬於本年度應付本公司權益股東股息

	2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
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Final dividend proposed after the end of the reporting period of HK6 cents per ordinary share (2013: HK19.5 cents per ordinary share)	192,457	616,582
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報告期末並無確認報告期後擬派末期股息為負債。

(ii) 本年度批准及派付的歸屬於上一財政年度的應付本公司權益股東股息

	2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
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Final dividend in respect of the previous financial year, approved and paid during the following year, of HK19.5 cents per ordinary share (2013: nil)	624,309	—
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NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(c) Share capital

Authorised and issued share capital

28 股本、儲備及股息(續)

(c) 股本

法定及已發行股本

		2014		2013	
		No. of shares	Amount	No. of shares	Amount
		股份數目	金額	股份數目	金額
		'000	HK\$'000	'000	HK\$'000
		千股	千港元	千股	千港元
Authorised:	法定：				
Ordinary shares of	每股面值 0.01 港元				
HK\$0.01 each	的普通股	8,000,000	80,000	8,000,000	80,000

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

28 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(c) Share capital (Cont'd)

Ordinary shares, issued and fully paid:

		Note	Par value 面值 US\$ 美元	Number of Shares 股份數目 股	Nominal value of ordinary shares 普通股面值 HK\$'000 RMB'000 千港元 人民幣千元	
		附註			千港元	人民幣千元
At 1 January 2013	於 2013 年 1 月 1 日	(i)	1.00	55,203	428	365
					HK\$ 港元	RMB'000 人民幣千元
Redenomination and cancellation of shares	股份轉換及註銷	(i)	0.01	42,782	428	365
Global Offering and over-allotment	全球發售及超額配股		0.01	780,206	7,802	6,182
Capitalisation issue	資本化發行		0.01	3,197,274	31,972	25,321
Automatic conversion of redeemable convertible preference shares upon Global Offering	於全球發售後可贖回 可換股優先股的 自動轉換		0.01	9,688	97	77
At 31 December 2013 and 1 January 2014	於 2013 年 12 月 31 日及 2014 年 1 月 1 日		0.01	4,029,950	40,299	31,945
Shares repurchased and cancelled	已購回及註銷股份	(ii)	0.01	(15,106)	(151)	(120)
At 31 December 2014	於 2014 年 12 月 31 日		0.01	4,014,844	40,148	31,825

28 股本、儲備及股息(續)

(c) 股本(續)

已發行及繳足普通股：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(c) Share capital (Cont'd)

Note:

- (i) At 1 January 2013, the Company's issued and fully paid capital comprises US\$67,703 divided into 55,203 ordinary shares with a par value of US\$1.00 each and 12,500 preferred shares with a par value of US\$1.00 each. On 29 April 2013, the Company re-denominated its authorised share capital from US dollars to Hong Kong dollars. The Company repurchased all the outstanding US dollar ordinary shares and preferred shares at par. For each of the US dollar ordinary share/preferred share repurchased, the Company issued to the shareholder 775 Hong Kong dollar ordinary shares/preferred shares at par. Immediately following the repurchase, the Company cancelled the repurchased and unissued US dollar ordinary shares and preferred shares. After the re-denomination and cancellation, the Company's issued and fully paid-up capital comprises 42,782,325 ordinary shares and 9,687,500 preferred shares at a par value of HK\$0.01 each.

- (ii) During the year, the Company repurchased 15,106,000 of its own ordinary shares on the Stock Exchange for a total consideration of HK\$40,443,550 (equivalent to approximately RMB32,145,000).

At 31 December 2014, all of the 15,106,000 repurchased ordinary shares have been cancelled and the related issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK\$150,106 (equivalent to approximately RMB120,000) was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of shares of HK\$40,293,444 (equivalent to approximately RMB32,025,000) was charged to the share premium reserve account.

28 股本、儲備及股息(續)

(c) 股本(續)

附註：

- (i) 於2013年1月1日，本公司的已發行及繳足股本為67,703美元，分為55,203股每股面值1.00美元的普通股及12,500股每股面值1.00美元的優先股。於2013年4月29日，本公司將其法定股本的計值單位由美元轉換為港元。本公司其後按面值購回所有發行在外的美元普通股及優先股。本公司亦就所購回的每股美元普通股／優先股按面值向股份持有人發行775股港元普通股／優先股。緊隨購回後，本公司註銷所有未發行的美元普通股及優先股。上述轉換及註銷後，本公司的已發行股本包括42,782,325股每股面值0.01港元的普通股及9,687,500股每股面值0.01港元的優先股。

- (ii) 於本年度內，本公司已在聯交所購回15,106,000股本身普通股，總對價為40,443,550港元（相等於約人民幣32,145,000元）。

於2014年12月31日，全部15,106,000股購回普通股已予註銷，該等股份的面值已於本公司的已發行股本中扣減。根據開曼群島公司法第37(3)條，註銷股份的面值150,106港元（相等於約人民幣120,000元）的等額金額已由股份溢價轉至股本贖回儲備。股份購回所付溢價40,293,444港元（相等於約人民幣32,025,000元）已於股份溢價儲備中扣除。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(d) Reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

28 股本、儲備及股息(續)

(d) 儲備

(i) 股份溢價

根據開曼群島公司法，本公司股份溢價可用於向股東支付分派或股息，惟須確保緊隨建議支付分派或股息日期後，本公司有能力支付日常業務過程中到期的債務。

(ii) 中國法定儲備

根據本集團中國子公司的組織章程細則及有關法定法規，須以按中國會計規則及法規釐定的除稅後利潤的10%向法定儲備金撥款，直至儲備結餘達到註冊資本的50%。該儲備金可用於抵銷中國子公司的累計虧損或增資，惟轉換後儲備金結餘不少於註冊資本的25%，且除於清盤時，不可用於分派。

(iii) 匯兌儲備

匯兌儲備包括因換算非人民幣的功能貨幣經營財務報表而產生的所有相關匯兌差額。該儲備按附註1(t)所載的會計政策處理。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(d) Reserves (Cont'd)

(iv) Equity settled share-based payment reserve

Equity settled share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 1(p)(ii).

(v) Other reserve

Other reserve is resulted from transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus/deficit arising from the difference between the disposal/acquisition consideration and its net assets value at the respective date of disposal/acquisition, and the capital reserve transferring from the equity settled share-based payment reserve.

(e) Distributability of reserves

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB1,222,552,000 (2013: RMB689,348,000). It represents the Company's share premium account of approximately RMB1,222,221,000 (2013: RMB1,254,366,000) and retained profit of approximately RMB331,000 (2013: accumulated loss of RMB565,018,000) in aggregate as at 31 December 2014, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

28 股本、儲備及股息(續)

(d) 儲備(續)

(iv) 以權益結算以股份支付為基礎儲備

以權益結算以股份支付為基礎儲備指按附註1(p)(ii)所述根據就以股份付款採納的會計政策計算授予本集團僱員的未行使購股權實際或估計數目的公允值。

(v) 其他儲備

其他儲備來自與擁有人以其權益擁有人身份進行的交易。結餘包括出售/收購對價與相關出售/收購日期資產淨值的差額所產生資本儲備盈餘/虧絀，以及轉撥自以權益結算以股份支付為基礎儲備的資本儲備。

(e) 可分派儲備

於2014年12月31日，根據開曼群島公司法計算的本公司可供分派儲備約為人民幣1,222,552,000元(2013年：人民幣689,348,000元)，即2014年12月31日本公司股份溢價約人民幣1,222,221,000元(2013年：人民幣1,254,366,000元)與保留利潤約人民幣331,000元(2013年：累計虧損人民幣565,018,000元)之和。該等儲備可作分派，惟緊隨建議派發股息日期後，本公司有能力償還日常業務過程中到期的債項。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to financial at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. The Group defines this ratio as total interest-bearing liabilities (includes bank loans and other borrowings and redeemable convertible preference shares) divided by total assets of the Group. At 31 December 2014, the gearing ratio of the Group was 13.2% (2013: 8.0%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 股本、儲備及股息(續)

(f) 資本管理

本集團管理資本的主要目標為保障本集團持續經營的能力，以向其物業開發項目提供資金，以及藉著與風險水平及以合理成本取得融資掛鈎的方式為物業定價而為股東及其他利益相關者提供回報及利益。

本集團積極定期審核及管理其資本架構，以維持與高借貸水平可能有關的較高股東回報與穩健資本狀況帶來的優勢及擔保之間的平衡，並根據經濟狀況的變動調整資本架構。

與行業慣例相符，本集團根據資產負債比率監察其資本結構。本集團界定此比率為總計息負債(包括銀行貸款及其他借貸及可贖回可換股優先股)除以本集團資產總值。於2014年12月31日，本集團之資產負債比率為13.2%(2013年：8.0%)。

本公司或其任何子公司概不受外部施加的資本規定所限。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash, trade and bill receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and restricted cash held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation. The credit risk is considered low and the Group has exposure limit to any single financial institution.

In respect of trade and bill receivables, credit risk is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

29 金融風險管理及公允值

本集團於一般業務過程中面對信貸、流動性、利率及貨幣風險。本集團亦面臨持有其他實體的股權投資產生的股價風險。

本集團面對之風險及本集團為管理該等風險而採用之財務風險管理政策及慣例載述如下。

(a) 信貸風險

本集團的信貸風險主要來自現金及現金等價物、受限制現金、貿易應收款項及應收票據及其他應收款項。管理層設有明確的信貸政策並持續監察面對的該等信貸風險。

本集團所持現金及現金等價物與受限制現金主要存放於商業銀行等金融機構，該等金融機構信譽良好且財務狀況穩健。信貸風險低，且本集團對任何單一金融機構設定限額規避風險。

由於本集團通常於轉讓物業所有權前向買家收取全部款項，因此貿易應收款項及應收票據的信貸風險甚微。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(a) Credit risk (Cont'd)

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

Except for the financial guarantees given by the Group as set out in note 31, the Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

The Group management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

29 金融風險管理及公允值(續)

(a) 信貸風險(續)

本集團根據營運需要審核及管理應收第三方的其他應收款項的相關風險。

除附註31所載本集團提供的財務擔保外，本集團並無提供任何其他可能導致本集團面對信貸風險的擔保。

有關本集團貿易及其他應收款項所產生信貸風險的進一步量化披露載於附註19。

(b) 流動性風險

本集團管理層持續審核本集團流動性狀況，包括審核預計現金流入及流出、各物業項目的銷售／預售業績、貸款及借貸到期情況以及計劃物業開發項目的進度，以監控本集團的短期及長期流動性需求。本集團的政策是定期監控流動性需求及有否遵守借貸契諾，以確保備有足夠的現金儲備，及向主要金融機構取得充足的已承諾資金，以應付長短期流動性需求。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities excluding receipts in advance, which the Group expects to settle by delivery of completed properties. The contractual maturities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group:

		2014					
		Contractual undiscounted cash outflow					
		合約未貼現現金流出					
		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
		一年內或 按要求	超過一年 但少於兩年	超過兩年 但少於五年	五年以上	總計	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Bank loans and other borrowings	銀行貸款及 其他借貸	481,836	462,014	876,267	—	1,820,117	1,562,100
Trade and other payables	貿易及其他 應付款項	1,909,778	52,251	—	—	1,962,029	1,962,029
		2,391,614	514,265	876,267	—	3,782,146	3,524,129

29 金融風險管理及公允價值(續)

(b) 流動性風險(續)

下表載列本集團及本公司金融負債(不包括本集團預期交付已完工物業結算的預收款項)於各報告期末的餘下合約期限。合約期限是根據合約未貼現現金流量(包括以合約利率或(倘浮動)各報告期末現行的利率估算的利息付款)以及本集團及本公司需要還款的最早日期計算:

本集團:

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

The Group: (Cont'd)

29 金融風險管理及公允值(續)

(b) 流動性風險(續)

本集團：(續)

		2013					
		Contractual undiscounted cash outflow					
		合約未貼現現金流出					
		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
		一年內或 按要求	超過一年 但少於兩年	超過兩年 但少於五年	五年以上	總計	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Bank loans and other borrowings	銀行貸款及 其他借貸	349,042	228,719	485,287	—	1,036,048	883,860
Trade and other payables	貿易及其他 應付款項	1,398,791	52,809	—	—	1,451,600	1,451,600
		1,747,833	281,528	485,287	—	2,487,648	2,335,460

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

The Company:

		2014					
		Contractual undiscounted cash outflow					
		合約未貼現現金流出					
		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
		一年內或 按要 求	超過一年 但少於兩年	超過兩年 但少於五年	五年以上	總計	賬面 值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Trade and other payables	貿易及其他應付款項	208	—	—	—	208	208
Amounts due to related parties	應付關聯方款項	30,412	—	—	—	30,412	30,412
		30,620	—	—	—	30,620	30,620

		2013					
		Contractual undiscounted cash outflow					
		合約未貼現現金流出					
		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
		一年內或 按要 求	超過一年 但少於兩年	超過兩年 但少於五年	五年以上	總計	賬面 值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Trade and other payables	貿易及其他應付款項	4,596	—	—	—	4,596	4,596

As shown in the above analysis, bank loans of the Group amounting to RMB369,500,000 were due to be repaid during 2015.

如上述分析所示，本集團人民幣369,500,000元的銀行貸款須於2015年償還。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, restricted cash and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 23 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

(i) Interest rate profile

The Group:

		2014		2013	
		Effective Interest Rate		Effective Interest Rate	
		實際利率		實際利率	
		%	RMB'000	%	RMB'000
		%	人民幣千元	%	人民幣千元
Net fixed rate borrowings: 固定利率借貸淨額：					
Bank loans and other borrowings	銀行貸款及其他借貸	9.24	417,000	14.63	255,000
Variable rate borrowings: 浮動利率借貸：					
Bank loans and other borrowings	銀行貸款及其他借貸	7.10	1,145,100	7.41	628,860
Total borrowings	總借貸		1,562,100		883,860
Net fixed rate borrowings as a percentage of total net borrowings	固定利率借貸淨額佔總借貸淨額的百分比		27%		29%

29 金融風險管理及公允值(續)

(c) 利率風險

本集團利率風險主要來自現金及現金等值物、受限制現金及以浮動利率借款。

本集團預期現金及現金等值物及已抵押存款不會受重大影響，因為預期銀行存款利率不會有重大變動。

本集團銀行貸款的利率及償還條款披露於財務報表附註23。本集團並無就管理利率風險進行任何對沖活動。

(i) 利率情況

本集團：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(c) Interest rate risk (Cont'd)

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points (2013: 50 basis points) in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB4,294,000 (2013: decreased/increased profit after tax by approximately RMB2,358,000), which has not taken into account of effect of interest capitalisation.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the year ended 31 December 2013.

29 金融風險管理及公允值(續)

(c) 利率風險(續)

(ii) 敏感度分析

於2014年12月31日，在其他所有變量保持不變的情況下，倘利率整體上升/下降50個基點(2013年：50個基點)，在並無計及利息資本化的影響下，估計本集團的除稅後利潤及本公司權益股東應佔總權益將增加/減少約人民幣4,294,000元(2013年：除稅後利潤減少/增加約人民幣2,358,000元)。

上述敏感度分析顯示本集團的除稅後利潤/虧損(及保留利潤)以及合併權益的其他部分可能產生的即時變動。敏感度分析假設利率變動於報告期末已發生，並已用於重新計量本集團所持有並於報告期末使本集團面對公允值利率風險的金融工具。關於本集團於報告期末持有的浮動利率非衍生工具產生的現金流量利率風險，對本集團的除稅後利潤(及保留利潤)以及合併權益的其他組成部分的影響，以該利率變動對利息支出或收入的年度影響來估計。有關分析乃按截至2013年12月31日止年度的相同基準作出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(d) Currency risk

Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk.

(e) Equity price risk

The group is exposed to equity price changes arising from equity investments classified as available-for-sale unlisted equity securities (see note 14).

The Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plan.

(f) Fair value

(i) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

29 金融風險管理及公允值(續)

(d) 貨幣風險

本集團差不多所有的經營活動均在中國進行，且大部分交易乃以人民幣計值。本集團並無使用衍生金融工具來對沖其外幣風險。本集團定期審閱其外幣風險，並認為其並無面臨重大的外幣風險。

(e) 權益投資價格風險

本集團面臨分類為可供出售非上市股本證券的權益投資產生的價格變動風險(見附註14)。

本集團的未報價投資是持作長期策略用途。該等投資表現會根據本集團就同類上市實體表現可得的有限資料而至少每兩年評估一次，連同評估他們與本集團長期策略計劃的相關性。

(f) 公允值

(i) 按公允值計量的金融工具

下表呈列於報告期末以經常性準則按公允值計量的金融工具賬面值，並按國際財務報告準則第13號，*公允值計量*所界定分類為三個公允值級別。公允值計量是參考以下估值方法所使用的輸入數據可觀察性及重要性而分類及釐定其級別：

- 第一級估值：僅使用第一級數據計量的公允值，即於計量日期在活躍市場對相同資產或負債未經調整的報價

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(f) Fair value (Cont'd)

(i) Financial instruments measured at fair value (Cont'd)

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

29 金融風險管理及公允值(續)

(f) 公允值(續)

(i) 按公允值計量的金融工具(續)

- 第二級估值：使用第二級數據計量的公允值，即不符合第一級的可觀察數據及未有採用不可觀察的重要數據。不可觀察數據乃指無法取得市場資料的數據
- 第三級估值：使用不可觀察的重要數據計量的公允值

		Fair value measurements as at 31 December 2014		Fair value measurements as at 31 December 2013	
		Fair value at 31 December 2014	into Level 2 at 31 December 2014	Fair value at 31 December 2013	into Level 2 at 31 December 2013
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Recurring fair value measurements	經常性公允值計量				
Assets:	資產：				
Available-for-sale investments:	可供出售投資：				
– Wealth management products	– 理財產品	37,000	37,000	120,000	120,000

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(f) Fair value (Cont'd)

(i) Financial instruments measured at fair value (Cont'd)

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil). The Group's policy is to recognise transfers between levels and fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products in Level 2 is the estimated amount that the Group would receive upon expiry or termination at the end of the reporting period, taking into account the related current interest rates.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments are carried at cost or amortised cost is not materially different from their fair values as at 31 December 2014 and 2013.

29 金融風險管理及公允價值(續)

(f) 公允價值(續)

(i) 按公允價值計量的金融工具(續)

年內，第一級與第二級之間並無任何轉移，亦無轉入或轉出第三級(2013年：無)。本集團的政策為於發生公允價值等級轉移的報告期間結束時，確認公允價值等級中不同級別之間的轉移。

第二級公允價值計量所用的估值方法及輸入數據

第二級的理財產品公允價值為估計本集團將於報告期末收取的屆滿或終止金額，當中已計及相關現行利率。

(ii) 並非按公允價值列賬的金融資產及負債的公允價值

本集團及本公司按成本或攤銷成本列賬的金融工具的賬面值與其於2014年及2013年12月31日的公允價值並無重大差異。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 COMMITMENTS

- (a) Commitments outstanding at the end of reporting period contracted but not provided for in the financial statements were as follows:

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Construction and development contracts	建設及發展合約	1,926,765	1,223,694
Land agreements	土地協議	330,588	—
		2,257,353	1,223,694

- (b) At the end of reporting period, the total value minimum lease payments under non-cancellable operating lease are payable as follows:

		2014	2013
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Within 1 year	一年內	53,534	13,893
After 1 year but within 2 years	一年後但兩年內	47,385	12,373
After 2 years but within 5 years	兩年後但五年內	115,000	—
		215,919	26,266

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 2 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

30 承擔

- (a) 於報告期末已訂約但於財務報表內無撥備的承擔如下：

	2014	2013
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Construction and development contracts	1,926,765	1,223,694
Land agreements	330,588	—
	2,257,353	1,223,694

- (b) 於報告期末，根據不可撤銷經營租賃應付最低租金總值到期情況如下：

	2014	2013
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Within 1 year	53,534	13,893
After 1 year but within 2 years	47,385	12,373
After 2 years but within 5 years	115,000	—
	215,919	26,266

本集團按照經營租賃租用多幢樓宇設施。租期初步一般為兩年至五年，到期後可選擇續約，屆時會重新商定所有條款。概無租賃包括或然租金。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 COMMITMENTS (Cont'd)

- (c) At the end of reporting period, the total value minimum lease payments under non-cancellable operating leases are receivables as follows:

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Within 1 year	一年內	7,683	4,933
After 1 year but within 2 years	一年後但兩年內	4,112	6,649
After 2 years but within 5 years	兩年後但五年內	3,653	5,547
After 5 years	五年後	9,934	10,602
		25,382	27,731

The Group leases out a number of properties under operating leases. The leases typically run for an initial period of 2 to 15 years. None of the leases includes contingent rentals.

31 CONTINGENT LIABILITIES

Guarantees

The Group 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 any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

30 承擔(續)

- (c) 於報告期末，根據不可撤銷經營租賃應收最低租金總值到期情況如下：

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Within 1 year	一年內	7,683	4,933
After 1 year but within 2 years	一年後但兩年內	4,112	6,649
After 2 years but within 5 years	兩年後但五年內	3,653	5,547
After 5 years	五年後	9,934	10,602
		25,382	27,731

本集團根據經營租賃出租多項物業。租期初步一般為兩年至十五年。概無租賃包括或然租金。

31 或然負債

擔保

本集團為若干銀行就本集團物業買方所訂立的按揭貸款而授出的按揭融資提供擔保。根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還欠負的按揭貸款連同違約買方應支付予銀行的任何應計利息及罰款。本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個別房產證及全數繳付按揭貸款(以較早者為準)時為止。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 CONTINGENT LIABILITIES (Cont'd)

Guarantees (Cont'd)

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	就本集團物業買方獲授的按揭融資而向銀行作出的擔保	2,551,035	1,482,069

The directors of the Company consider that it is not probable that the Group will sustain a loss under these guarantees as the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors of the Company also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors of the Company.

31 或然負債(續)

擔保(續)

於各報告期末就本集團物業買方獲授的最大的按揭融資而向銀行作出的擔保金額如下：

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	就本集團物業買方獲授的按揭融資而向銀行作出的擔保	2,551,035	1,482,069

本公司董事認為，由於本集團可接管相關物業的所有權並出售有關物業，以收回本集團向銀行支付的任何金額，因此本集團不大可能因該等擔保而遭受虧損。本公司董事亦認為，倘買方拖欠償還銀行付款，則相關物業的公允市值能彌補本集團所擔保的未償還按揭貸款。

由於本公司董事認為該等擔保的公允值極低，故本集團並未就該等擔保確認任何遞延收入。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)
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32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Contribution to defined contribution retirement plans	定額供款退休計劃	392	137
Wages, salaries and other benefits in kind	薪金、工資及其他福利	26,978	20,213
Equity settled share-based payments	以權益結算以股份為基礎的付款	468	2,655
		27,838	23,005

Total remuneration is included in "staff costs" (see note 5(b)).

薪酬總額載於「員工成本」(請參閱附註5(b))。

(b) Transactions with related parties

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Receipts from related parties – the controlling shareholders	收取關聯方的款項 – 控股股東	—	796
Payments to related parties – the controlling shareholders	支付關聯方的款項 – 控股股東	—	228
– others	– 其他	—	1,000
		—	1,228
Sales of properties to related parties	銷售物業予關聯方	—	607

(c) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

32 重大關聯方交易

(a) 主要管理人員薪酬

主要管理人員薪酬包括附註7所披露的向本公司董事支付金額及附註8所披露向若干最高薪僱員支付的金額，載列如下：

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Contribution to defined contribution retirement plans	定額供款退休計劃	392	137
Wages, salaries and other benefits in kind	薪金、工資及其他福利	26,978	20,213
Equity settled share-based payments	以權益結算以股份為基礎的付款	468	2,655
		27,838	23,005

薪酬總額載於「員工成本」(請參閱附註5(b))。

(b) 與關聯方的交易

		2014 RMB'000 人民幣千元	2013 RMB'000 人民幣千元
Receipts from related parties – the controlling shareholders	收取關聯方的款項 – 控股股東	—	796
Payments to related parties – the controlling shareholders	支付關聯方的款項 – 控股股東	—	228
– others	– 其他	—	1,000
		—	1,228
Sales of properties to related parties	銷售物業予關聯方	—	607

(c) 上市規則對關連交易的適用性

上述關聯方交易均不屬於上市規則第十四A章所定義的關連交易或持續關連交易。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

33 NON-ADJUSTMENT EVENT AFTER THE REPORTING PERIOD

- (a) After the end of the reporting period, the Company entered into the Purchase Agreement with Pingan Real Estate (HongKong) Company Limited (the “Investor”). The Company has issued 7.00% convertible notes in principal amount of US\$120,000,000 (approximately RMB 736,104,000) due 2020 to the Investor on 23 January 2015. The gross and net proceeds (after deducting expenses) are US\$120,000,000 and approximately US\$119,330,000, respectively.
- (b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 28(b).

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2014, the directors consider the immediate parent and ultimate controlling party of the Group to be Most Trend Holding Limited, which is incorporated in the British Virgin Islands with limited liability and beneficially owned by the Controlling Shareholders. This entity does not produce financial statements available for public use.

33 報告期後非調整事項

- (a) 於報告期末後，本公司與平安不動產(香港)有限公司(「投資者」)訂立購買協議。本公司已於2015年1月23日向投資者發行本金額120,000,000美元(約人民幣736,104,000元)於2020年到期的7.00%可轉股票據。票據發行的所得款項總額及淨額(扣除開支後)分別為120,000,000美元及約119,330,000美元。
- (b) 報告期結束後，董事建議派發末期股息。進一步詳情披露於附註28(b)。

34 直接及最終控股方

於2014年12月31日，董事認為本集團直接母公司及最終控股方為至毅控股有限公司，該公司於英屬維爾京群島註冊成立為有限公司並由控股股東實益擁有。該實體並無編製作公開用途的財務報表。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

35 已頒佈但於截至2014年12月31日止年度仍未生效的修訂、新準則及詮釋的可能影響

截至本財務報表刊發日期，國際會計準則理事會已頒佈多項修訂及一項新準則，惟該等修訂及新準則於截至2014年12月31日止年度仍未生效且未於財務報表採納。其中，下列項目可能與本集團有關：

	Effective for accounting periods beginning on or after 自以下日期或 之後開始的 會計期間生效
Amendments to IAS 19, <i>Defined benefit plans: Employee contributions</i> 國際會計準則第19號修訂本， <i>界定福利計劃：僱員供款</i>	1 July 2014 2014年7月1日
Amendments to IFRS 11, <i>Accounting for acquisitions of interests in joint operations</i> 國際財務報告準則第11號修訂本， <i>收購合營業務權益的會計處理</i>	1 January 2016 2016年1月1日
Amendments to IAS 16 and IAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i> 國際會計準則第16號及國際會計準則第38號修訂本， <i>獲認可的折舊及攤銷方法的澄清</i>	1 January 2016 2016年1月1日
IFRS 15, <i>Revenue from contracts with customers</i> 國際財務報告準則第15號， <i>來自合約客戶的收入</i>	1 January 2017 2017年1月1日
IFRS 9, <i>Financial instruments</i> 國際財務報告準則第9號， <i>金融工具</i>	1 January 2018 2018年1月1日

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the adoption of IFRS 9 and IFRS 15 which may have an impact on the entity's results and/or financial position.

本集團正在評估該等修訂預期於首次應用期間的影響。截至目前，本集團認為採用上述各項不會對合併財務報表有重大影響，惟採納國際財務報告準則第9號及國際財務報告準則第15號可能對實體的業績及／或財務狀況造成影響除外。

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

此外，新香港公司條例(第622章)第9部「賬目及審計」的規定根據該條例第358條於2014年3月3日或之後的本公司首個財政年度(即2015年1月1日開始的本公司財政年度)開始運作。本集團正就公司條例變動於首次應用第9部期間對綜合財務報表的預期影響進行評估。至今本集團之結論為不大可能造成重大影響及僅會影響綜合財務報表資料的呈列及披露方式。



Independent auditor's report to the shareholders of Hydo International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hydo International Holding Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 95 to 236, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

致毅德國際控股有限公司列位股東的獨立核數師報告

(於開曼群島註冊成立的有限公司)

吾等已審核載於第95至236頁的毅德國際控股有限公司(「貴公司」)及其子公司(統稱「貴集團」)的合併財務報表，其中包括於2013年12月31日的合併及公司財務狀況表以及截至該日止年度的合併損益表、合併損益及其他全面收益表、合併權益變動表及合併現金流量表以及重大會計政策概要及其他解釋性資料。

董事就合併財務報表須承擔的責任

貴公司董事須負責根據國際會計準則理事會頒佈的國際財務報告準則及香港公司條例的披露規定編製真實而公允的合併財務報表，並負責董事認為必要的內部控制，以使所編製的合併財務報表並無因欺詐或錯誤而引致重大錯誤陳述。

核數師的責任

吾等的責任是根據吾等對該等合併財務報表的審核發表意見。本報告僅向閣下(作為團體)報告，除此之外，別無其他目的。吾等不會就本報告內容向任何其他人士負上或承擔任何責任。

吾等已根據香港會計師公會刊發的香港審計準則進行審核。這些準則要求吾等遵守道德規範，並規劃及執行審核，以合理確定合併財務報表是否並無任何重大錯誤陳述。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

24 March 2014

審核涉及執行情序以獲取有關合併財務報表所載金額和披露資料的審核證據。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致合併財務報表存在重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製合併財務報表以作出真實而公允反映相關的內部控制，以設計適當的審核程序，但並非對公司內部控制的有效性發表意見。審核亦包括評估董事所採用的會計政策的恰當性及作出的會計估計的合理性，以及評估合併財務報表的整體列報方式。

吾等相信，吾等所獲得的審核證據充足且適當地為吾等的審核意見提供基礎。

意見

吾等認為，該等合併財務報表已根據國際財務報告準則真實而公允地反映 貴公司和 貴集團於2013年12月31日的事務狀況及截至該日止年度 貴集團的利潤和現金流量，並已按照香港公司條例的披露規定妥為編製。

畢馬威會計師事務所

執業會計師

香港中環

遮打道10號

太子大廈8樓

2014年3月24日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

合併損益表

for the year ended 31 December 2013
截至2013年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Note	2013	2012
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Turnover	營業額	3	4,756,464	1,607,114
Cost of sales	銷售成本	5(c)	(1,824,109)	(830,843)
Gross profit	毛利		2,932,355	776,271
Other revenue	其他收益	4	5,353	1,377
Other net income/(loss)	其他收入/(虧損)淨額	4	14,562	(5)
Selling and distribution expenses	銷售開支		(129,464)	(62,220)
Administrative expenses	行政開支		(312,475)	(187,722)
Other operating expenses	其他經營開支		(23,097)	(6,644)
Profit from operations	經營利潤		2,487,234	521,057
Share of loss of a joint venture	應佔合營企業的虧損	12	—	(3,111)
Gain on disposal of a subsidiary	出售子公司的收益	29(a)	—	306,551
Finance income	財務收入	5(a)	11,079	1,374
Finance costs	融資成本	5(a)	(70,183)	(73,241)
Change in fair value of embedded derivative on redeemable convertible preference shares	可贖回可換股優先股 嵌入式衍生工具 的公允值變動		(103,271)	(292,348)
Profit before taxation	除稅前利潤	5	2,324,859	460,282
Income tax	所得稅	6(a)	(1,148,896)	(245,491)
Profit for the year	年內利潤		1,175,963	214,791

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

合併損益表

for the year ended 31 December 2013

截至2013年12月31日止年度

(Expressed in Renminbi)

(以人民幣列示)

			2013	2012
		Note	RMB'000	RMB'000
		附註	人民幣千元	人民幣千元
Attributable to:	以下各方應佔：			
Equity shareholders of the Company	本公司權益股東	9	1,177,782	216,506
Non-controlling interests	非控股權益		(1,819)	(1,715)
Profit for the year	年內利潤		1,175,963	214,791
Earnings per share	每股盈利			
Basic (RMB)	基本(人民幣元)	10	0.41	0.09
Diluted (RMB)	攤薄(人民幣元)	10	0.39	0.09

The notes on pages 106 to 236 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(f).

第106至236頁所載附註構成本財務報表的一部分。就本年度利潤應付本公司權益股東股息的詳情載於附註30(f)。

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

合併損益及其他全面收益表

for the year ended 31 December 2013
截至2013年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit for the year	年內利潤	1,175,963	214,791
Other comprehensive income for the year	年內其他全面收入		
(after tax and reclassification adjustments):	(經稅項及重新分類調整後):		
Items that may be reclassified subsequently to profit or loss:	其後可能重新分類至損益的項目:		
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China, net of nil tax	換算其他司法權區子公司的財務報表的匯兌差額 (經扣除零稅項)	11,576	893
Total comprehensive income for the year	年內全面收入總額	1,187,539	215,684
Attributable to:	以下各方應佔:		
Equity shareholders of the Company	本公司權益股東	1,189,358	217,399
Non-controlling interests	非控股權益	(1,819)	(1,715)
Total comprehensive income for the year	年內全面收入總額	1,187,539	215,684

The notes on pages 106 to 236 form part of these financial statements.

第106至236頁所載附註構成本財務報表的一部分。

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

合併財務狀況表

at 31 December 2013
於2013年12月31日
(Expressed in Renminbi)
(以人民幣列示)

			2013	2012
		Note	RMB'000	RMB'000
		附註	人民幣千元	人民幣千元
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	11	61,031	45,647
Intangible assets	無形資產		1,329	441
Goodwill	商譽	29(b)	2,252	—
Other non-current financial assets	其他非流動金融資產	13(a)	23,618	19,800
Deferred tax assets	遞延稅項資產	14(b)	213,913	122,247
			302,143	188,135
Current assets	流動資產			
Inventories	存貨	16	5,390,826	3,303,546
Current tax assets	即期稅項資產	14(a)	111,762	95,230
Trade and other receivables, prepayments and deposits	貿易及其他應收款項、 預付款項及定金	17	682,941	948,577
Amounts due from related parties	應收關聯方款項	18	—	796
Restricted cash	受限制現金	19	103,031	22,442
Available-for-sale investments	可供出售投資	13(b)	120,000	—
Cash and cash equivalents	現金及現金等值物	20	4,292,994	584,379
			10,701,554	4,954,970
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付款項	22	3,828,104	1,712,620
Bank loans and other borrowings	銀行貸款及其他借貸	23	281,860	689,000
Current tax liabilities	即期稅項負債	14(a)	932,982	225,693
Amounts due to related parties	應付關聯方款項	24	—	1,228
Deferred income	遞延收入	25	858,082	521,267
			5,901,028	3,149,808
Net current assets	流動資產淨值		4,800,526	1,805,162
Total assets less current liabilities	總資產減流動負債		5,102,669	1,993,297

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

合併財務狀況表

at 31 December 2013
於2013年12月31日
(Expressed in Renminbi)
(以人民幣列示)

			2013	2012
	Note		RMB'000	RMB'000
	附註		人民幣千元	人民幣千元
Non-current liabilities		非流動負債		
Bank loans and other borrowings	23	銀行貸款及其他借貸	602,000	60,000
Deferred income	25	遞延收入	5,843	3,316
Redeemable convertible preference shares	26	可贖回可換股優先股	—	581,412
Embedded derivative liabilities on redeemable convertible preference shares	26	可贖回可換股優先股的 嵌入式衍生工具負債	—	292,502
Deferred tax liabilities	14(b)	遞延稅項負債	63,038	-
			670,881	937,230
NET ASSETS		資產淨值	4,431,788	1,056,067
Capital and reserves		股本及儲備		
Share capital	30	股本	31,945	365
Reserves		儲備	4,389,126	949,417
Total equity attributable to equity shareholders of the Company		本公司權益股東應佔 權益總額	4,421,071	949,782
Non-controlling interests		非控股權益	10,717	106,285
TOTAL EQUITY		權益總額	4,431,788	1,056,067

Approved and authorised for issue by the board of directors on 24 March 2014.

於2014年3月24日獲董事會批准及授權刊發。

Wong Choihing
王再興
Chairman
主席

Huang Dehong
黃德宏
Executive Director
執行董事

The notes on pages 106 to 236 form part of these financial statements.

第106至236頁所載附註構成本財務報表的一部分。

STATEMENT OF FINANCIAL POSITION

財務狀況表

at 31 December 2013
於2013年12月31日
(Expressed in Renminbi)
(以人民幣列示)

		Note	2013	2012
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Non-current assets	非流動資產			
Interests in subsidiaries	於子公司的權益	15	833,926	859,721
Current assets	流動資產			
Trade and other receivable, prepayments and deposits	貿易及其他應收款項、 預付款項及定金	17	1,278,062	1,790
Cash and cash equivalents	現金及現金等值物	20	15	7,439
			1,278,077	9,229
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付款項	22	4,596	24,775
Amounts due to related parties	應付關聯方款項	24	—	4,754
			4,596	29,529
Net current assets/(liabilities)	流動資產/(負債)淨額		1,273,481	(20,300)
Total assets less current liabilities	總資產減流動負債		2,107,407	839,421
Non-current liabilities	非流動負債			
Redeemable convertible preference shares	可贖回可換股優先股	26	—	581,412
Embedded derivative liabilities on redeemable convertible preference shares	可贖回可換股優先股的 嵌入式衍生工具負債	26	—	292,502
			—	873,914
NET ASSETS	資產淨值		2,107,407	(34,493)

STATEMENT OF FINANCIAL POSITION

財務狀況表

at 31 December 2013
於2013年12月31日
(Expressed in Renminbi)
(以人民幣列示)

		Note	2013	2012
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Capital and reserves	股本及儲備	30		
Share capital	股本		31,945	365
Reserves	儲備		2,075,462	(34,858)
TOTAL EQUITY	權益總額		2,107,407	(34,493)

Approved and authorised for issue by the board of directors on 24 March 2014.

於2014年3月24日獲董事會批准及授權刊發。

Wong Choihing

王再興

Chairman

主席

Huang Dehong

黃德宏

Executive Director

執行董事

The notes on pages 106 to 236 form part of these financial statements.

第106至236頁所載附註構成本財務報表的一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the year ended 31 December 2013

截至2013年12月31日止年度

(Expressed in Renminbi)

(以人民幣列示)

		Attributable to equity shareholders of the Company 本公司權益股東應佔											
		Share capital	Share premium	PRC Statutory reserve	Capital reserve	Reserve with non-controlling interests	Equity settled share-based payment	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity	
		股本	股份溢價	中國法定儲備	資本儲備	非控股權益的交易	結算以股份為基礎的儲備	匯兌儲備	保留利潤	總計	非控股權益	權益總額	
		30(c)(i)	30(c)(ii)	30(c)(v)		30(c)(iv)	30(c)(iii)				30(g)		
		Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
At 1 January 2012	於2012年1月1日		333	—	45,251	39,904	—	459	14,787	271,939	372,673	—	372,673
Changes in equity for 2012:	2012年權益變動：												
Profit for the year	年內利潤		—	—	—	—	—	—	216,506	216,506	(1,715)	214,791	
Other comprehensive income	其他全面收入		—	—	—	—	—	893	—	893	—	893	
Total comprehensive income	全面收入總額		—	—	—	—	—	893	216,506	217,399	(1,715)	215,684	
Equity settled share-based transactions	以權益結算以股份為基礎的交易	28	—	—	—	—	6,109	—	—	6,109	—	6,109	
Capital injection by non-controlling interests to subsidiaries	非控股權益對子公司注資	30(g)(ii)	—	—	—	—	—	—	—	—	108,000	108,000	
Issuance of new shares to Pre-IPO investors	向首次公開售股前投資者發行新股份	30(b)(i)	32	—	—	343,965	—	—	—	343,997	—	343,997	
Deemed contribution as a result of disposal of interest in a joint venture	因出售於合營企業的權益而產生的收益視為注資	12	—	—	9,604	—	—	—	—	9,604	—	9,604	
Appropriation to PRC statutory reserve	轉撥至中國法定儲備	30(c)(ii)	—	—	23,457	—	—	—	(23,457)	—	—	—	
At 31 December 2012	於2012年12月31日		365	—	68,708	393,473	—	6,568	15,680	464,988	949,782	106,285	1,056,067

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the year ended 31 December 2013

截至2013年12月31日止年度

(Expressed in Renminbi)

(以人民幣列示)

		Attributable to equity shareholders of the Company 本公司權益股東應佔											
		Share capital	Share premium	PRC Statutory reserve	Capital reserve	Reserve-transaction with non-controlling interests	Equity settled share based payment reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity	
		股本	股份溢價	中國法定儲備	資本儲備	非控股權益的交易	結算以股份為基礎的儲備	匯兌儲備	保留利潤	總計	非控股權益	權益總額	
		30(c)(i)	30(c)(ii)	30(c)(iv)	30(c)(iv)	30(c)(iv)	30(c)(iii)			30(g)			
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
附註		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
At 1 January 2013	於2013年1月1日	365	—	68,708	393,473	—	6,568	15,680	464,988	949,782	106,285	1,056,067	
Changes in equity for 2013:	2013年權益變動：												
Profit for the year	年內利潤	—	—	—	—	—	—	—	1,177,782	1,177,782	(1,819)	1,175,963	
Other comprehensive income	其他全面收入	—	—	—	—	—	—	11,576	—	11,576	—	11,576	
Total comprehensive income	全面收入總額	—	—	—	—	—	—	11,576	1,177,782	1,189,358	(1,819)	1,187,539	
Net proceeds from issue of ordinary shares upon the Global Offering, net off issuing cost	於全球發售後發行普通股所得款項淨額抵銷發行成本	30(b)(ii)	6,182	1,279,687	—	—	—	—	—	1,285,869	—	1,285,869	
Capitalisation issue	資本化發行	30(b)(iii)	25,321	(25,321)	—	—	—	—	—	—	—	—	
Automatic conversion of redeemable convertible preference shares	自動轉換可贖回可換股優先股	26(v)	77	—	1,021,939	—	—	—	—	1,022,016	—	1,022,016	
Equity settled share-based transactions	以權益結算以股份為基礎的交易	28	—	—	—	—	5,707	—	—	5,707	—	5,707	
Capitalisation of special dividend	資本化特別股息	22(iv)	—	—	20,205	—	—	—	—	20,205	—	20,205	
Acquisition of a subsidiary	收購子公司	29(b)	—	—	—	—	—	—	—	—	385	385	
Capital injection by non-controlling interests to a subsidiary	非控股權益對子公司注資	30(g)(i)	—	—	—	—	—	—	—	—	4,000	4,000	
Acquisition of non-controlling interests	收購非控股權益	30(g)(i)	—	—	—	(51,866)	—	—	—	(51,866)	(98,134)	(150,000)	
Appropriation to PRC statutory reserve	轉撥至中國法定儲備	30(c)(ii)	—	—	159,743	—	—	—	(159,743)	—	—	—	
At 31 December 2013	於2013年12月31日		31,945	1,254,366	228,451	1,435,617	(51,866)	12,275	27,256	1,483,027	4,421,071	10,717	4,431,788

The notes on pages 106 to 236 form part of these financial statements.

第106至236頁所載附註構成本財務報表的一部分。

CONSOLIDATED CASH FLOW STATEMENT

合併現金流量表

for the year ended 31 December 2013

截至2013年12月31日止年度

(Expressed in Renminbi)

(以人民幣列示)

			2013	2012
		Note	RMB'000	RMB'000
		附註	人民幣千元	人民幣千元
Operating activities	經營活動			
Cash generated from/(used in) operations	經營業務所得/(所用)現金	21	2,891,896	(919,405)
PRC tax paid	已付中國稅項		(486,767)	(168,178)
Net cash generated from/(used in) operating activities	經營活動所得/(所用)現金淨額		2,405,129	(1,087,583)
Investing activities	投資活動			
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項		—	10
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed	出售子公司所得款項，扣除已出售現金及現金等值物	29(a)	240,000	220,662
Payment for purchase of other non-current financial assets	購買其他非流動金融資產付款		(2,000)	—
Payment for purchase of available-for-sale investments	購買可供出售投資付款		(120,000)	—
Payment for purchase of property, plant and equipment	購買物業、廠房及設備付款		(30,873)	(27,261)
Payment for intangible assets	購買無形資產付款		(1,009)	(380)
Acquisition of a subsidiary, net of cash acquired	收購子公司，扣除所獲得現金		(1,218)	—
Net gains on disposal of available-for-sale investments	出售可供出售投資收益淨額		14,562	—
Dividends received	已收股息		2,201	—
Interest received	已收利息		11,079	1,374
Net cash generated from investing activities	投資活動所得現金淨額		112,742	194,405

CONSOLIDATED CASH FLOW STATEMENT

合併現金流量表

for the year ended 31 December 2013

截至2013年12月31日止年度

(Expressed in Renminbi)

(以人民幣列示)

			2013	2012
	Note		RMB'000	RMB'000
	附註		人民幣千元	人民幣千元
Financing activities		融資活動		
Issue of new shares to Pre-IPO investors		發行股份予首次公開售股前投資者 所得款項	—	343,997
Issue of new shares, net of listing expenses	30(b)(ii)	發行新股份，扣除上市開支	1,285,869	—
Proceeds from new bank loans and other borrowings		新增銀行貸款及其他借貸 所得款項	841,500	690,500
Decrease/(increase) in security deposit with a PRC financial institution		存放於中國金融機構的 保證金減少／(增加)	40,000	(40,000)
Capital injection by non-controlling interests to subsidiaries	30(g)	非控股權益持有人 對子公司注資	4,000	108,000
Repayment of bank loans and other borrowings		償還銀行貸款及其他借貸	(706,640)	(44,500)
Acquisition of non-controlling interests		收購非控股權益	(150,000)	—
Decrease in amounts due from related parties		應收關聯方款項減少	796	52,640
Decrease in amounts due to related parties		應付關聯方款項減少	(1,228)	(6,296)
Interest and other borrowing costs paid		已付利息及其他借貸成本	(110,358)	(60,128)
Net cash generated from financing activities		融資活動所得現金淨額	1,203,939	1,044,213
Net increase in cash and cash equivalents		現金及現金等值物增加淨額	3,721,810	151,035
Cash and cash equivalents at 1 January	20	於1月1日的現金及現金等值物	584,379	436,941
Effect of foreign exchange rate changes		外匯匯率變動的影響	(13,195)	(3,597)
Cash and cash equivalents at 31 December	20	於12月31日的現金及現金等值物	4,292,994	584,379

The notes on pages 106 to 236 form part of these financial statements.

第106至236頁所載附註構成本財務報表的一部分。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note I(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

I 重大會計政策

(a) 合規聲明

本財務報表乃按照國際會計準則理事會頒佈的所有適用的國際財務報告準則(此統稱包括所有適用的個別國際財務報告準則、國際會計準則及詮釋)以及香港公司條例的披露規定而編製。本財務報表亦遵守香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)的適用披露條文。本集團所採納的重大會計政策概述如下。

國際會計準則理事會已頒佈若干新訂及經修訂的國際財務報告準則，這些準則於本集團及本公司當前會計期間首次生效或可提早採納。附註I(c)載列在與該等財務報表所呈列與本集團當前及過往會計期間有關的範圍內，因首次採用這些新訂及經修訂國際財務報告準則而導致會計政策任何變更的資料。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation and presentation of the financial statements

Hydoo International Holding Limited (the "Company", formerly known as Howard International Holding Limited) was incorporated in the Cayman Islands on 19 October 2010 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands.

Pursuant to a group reorganisation completed on 18 May 2011 (the "Reorganisation") as detailed in the section headed "History and Corporate Structure" in the Company's prospectus dated 18 October 2013, the Company became the holding company of the companies now comprising the Group, details of which are set out in Note 15 below.

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

These financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- available-for-sale investments (note 1(g)); and
- redeemable convertible preference shares (note 1(p)).

I 重大會計政策(續)

(b) 財務報表的編製及呈列基準

毅德國際控股有限公司(「本公司」，前稱Howard International Holding Limited)於2010年10月19日根據Companies Law (2013 Revision) of the Cayman Islands在開曼群島註冊成立為一間獲豁免有限公司。

根據於2011年5月18日完成的集團重組(「重組」)(詳情見本公司日期為2013年10月18日的招股章程「歷史及企業架構」一節)，本公司成為本集團現時旗下各公司的控股公司，有關詳情載於下文附註15。

截至2013年12月31日止年度的合併財務報表涵蓋本公司及其各子公司(統稱「本集團」)。

該等財務報表以人民幣呈列，約整至最接近千元計算。編製財務報表時以歷史成本作為計量基準，惟下列資產及負債按下述會計政策以公允值列賬：

- 可供出售投資(附註1(g))；及
- 可贖回可換股優先股(附註1(p))。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation and presentation of the financial statements (Cont'd)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

I 重大會計政策(續)

(b) 財務報表的編製及呈列基準(續)

管理層在編製符合國際財務報告準則的財務報表時，須作出對政策的應用及資產、負債、收入及支出的呈報金額造成影響的判斷、估計及假設。估計及相關假設是根據過往經驗及於若干情況下視為合理的多種其他因素作出，其結果構成了管理層在無法依循其他途徑即時得知資產及負債的賬面值時作出判斷的依據。實際結果可能有別於該等估計。

管理層會持續審核該等估計及相關假設。倘若會計估計的修訂僅對作出修訂的期間產生影響，則有關修訂會在該期間內予以確認；倘若該項修訂對當前及未來期間均有影響，則在作出修訂的期間及未來期間均予以確認。

管理層在採用國際財務報告準則時所作出對財務報表有重大影響的判斷，以及主要的估計數額不確定因素於附註2討論。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) New and revised IFRSs that are first effective for the current accounting period

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements - Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Amendments to IFRS 7 - *Disclosures - Offsetting financial assets and financial liabilities*

I 重大會計政策(續)

(c) 於現行會計期間首次生效的新訂及經修訂國際財務報告準則

國際會計準則理事會已頒佈多項於本集團及本公司當前會計期間首次生效的新訂國際財務報告準則及國際財務報告準則修訂。其中，與本集團財務報表有關的變更如下：

- 國際會計準則第1號修訂本，財務報表的呈列－其他全面收益項目的呈列
- 國際財務報告準則第10號，合併財務報表
- 國際財務報告準則第12號，於其他實體的權益披露
- 國際財務報告準則第13號，公允值計量
- 國際財務報告準則第7號修訂本－披露－抵銷金融資產及金融負債

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) New and revised IFRSs that are first effective for the current accounting period (Cont'd)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

I 重大會計政策(續)

(c) 於現行會計期間首次生效的新訂及經修訂國際財務報告準則(續)

本集團並無應用於當前會計期間尚未生效的任何新訂準則或詮釋。

(d) 子公司及非控股權益

子公司是由本集團控制的實體。倘本集團因參與一家公司的業務而或有權獲得可變回報，且有能力藉對該公司行使其權利而影響該等回報時，則視為本集團對該公司擁有控制權。於評估本集團是否有權力時，僅考慮本集團及其他各方持有的實質權利。

於子公司的投資自控制權開始日期起至控制權終止日期止計入合併財務報表。集團內公司間的結餘、交易及現金流量以及集團內公司間交易所產生的任何未變現利潤，在編製合併財務報表時均全數抵銷。集團內公司間交易所產生的未變現虧損則僅在並無出現減值跡象的情況下以與抵銷未變現收益相同的方法予以抵銷。

非控股權益指本公司並非直接或間接應佔的子公司的權益，且本集團並未同意與該等權益持有人增訂條款而導致本集團整體須就該等權益符合金融負債定義擁有合約責任。對各業務合併而言，本集團可選擇以公允值或按非控股權益所佔子公司可識別資產淨值的比例計量任何非控股權益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Subsidiaries and non-controlling interests (Cont'd)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes I(o), (p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note I(g)) or, when appropriate, the cost on initial recognition of investment in joint ventures (see note I(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note I(l)).

I 重大會計政策(續)

(d) 子公司及非控股權益(續)

非控股權益於合併財務狀況表的權益內與本公司權益股東應佔權益分開呈列。本集團業績的非控股權益在合併損益表及合併損益及其他全面收益表賬面呈列為年內損益總額及全面收入總額在非控股權益與本公司權益股東之間的分配。非控股權益持有人的貸款及對該等持有人所負的其他合約責任視乎負債性質，根據附註I(o)、(p)或(q)於合併財務狀況表中呈列為金融負債。

本集團於子公司的權益變動，倘並未導致失去控制權，則入賬列作股權交易，而合併權益內控股及非控股權益的金額會就此作出調整，以反映相關權益的變動，但商譽不會作出調整且不會確認損益。

當本集團失去一間子公司的控制權，則入賬列作出售該子公司的全部權益，因此產生的收益或虧損會於損益確認。於失去控制權之日在該前子公司保留的任何權益按公允價值確認，且有關金額視為初步確認金融資產時的公允價值(見附註I(g))或(倘適用)初步確認於合資企業的投資時的成本(見附註I(e))。

在本公司的財務狀況表內，於子公司的投資是按成本減減值虧損(見附註I(l))列賬。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

I 重大會計政策(續)

(e) 合資企業

合資企業為一項安排，據此本集團或本公司或其他各方訂約同意共同享有安排的控制權，並對安排的資產淨值擁有權利。

於合資企業的投資以權益法於合併財務報表入賬，惟其被分類為持作出售則除外。根據權益法，投資初步按成本列賬，其後就本集團應佔該被投資公司的可識別資產淨值的收購日期公允值超出投資成本的任何部分(如有)作出調整。其後，就本集團應佔該被投資公司的資產淨值的收購後變動及與投資相關的任何減值虧損(見附註1(l))作出調整。收購日期超出成本的任何部分，本集團年內應佔被投資公司的收購後稅後業績及任何減值虧損是於合併損益表內確認，而本集團應佔被投資公司的其他全面收入的收購後稅後項目則於合併損益表及其他全面收益表內確認。

當本集團應佔一間合資企業的虧損超出其於該合資企業的權益時，本集團的權益扣減至零並會終止確認進一步虧損，但本集團產生法定或推定責任或代表被投資公司付款則除外。就此而言，本集團的權益為以權益法入賬的投資賬面值，連同實質上屬本集團於合資企業投資淨額一部分的長期權益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Joint ventures (Cont'd)

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note I(g)).

In the Company's statement of financial position, investment in joint ventures is stated at cost less impairment losses (see note I(l)).

I 重大會計政策(續)

(e) 合資企業(續)

本集團與合資企業進行交易產生的未變現利潤及虧損將以本集團於被投資公司的權益為限予以對銷，除非該未變現虧損證明已轉讓資產出現減值，在此情況下，則即時於損益內確認相關虧損。

在所有其他情況下，當本集團不再對合資企業擁有共同控制權，其將被列作出售該被投資公司的全部權益，所得出收益或虧損於損益確認。於失去共同控制權當日於前被投資公司保留的任何權益是按公允值確認，有關金額是列作初步確認金融資產時的公允值(見附註I(g))。

在本公司的財務狀況表內，於合資企業的投資按成本減減值虧損列賬(見附註I(l))。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquire and the fair value of the Group's previously held equity interest in the acquire; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note I(1)).

On disposal of a cash generating unit during the year, an attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

I 重大會計政策(續)

(f) 商譽

商譽指(i)超過(ii)的差額：

- (i) 所轉讓對價的公允值、於收購中的任何非控股權益金額及本集團先前於被收購者中持有的股本權益公允值的總和；
- (ii) 被收購者的可識別資產及負債於收購當日計量的公允淨值。

當(ii)較(i)為大，則該超出數額即時在損益表內確認為議價收購的收益。

商譽是按成本減累計減值虧損列賬。來自業務合併的商譽將分配至預期可受惠於合併協同效益的現金產生單位或現金產生單位組合，並會每年進行減值測試(見附註I(1))。

年內出售現金產生單位時，已將所購入商譽的應佔金額計入出售損益內。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation techniques that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note I(v)(iv) and I(v)(v).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note I(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes I(v)(iv) and I(v)(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

I 重大會計政策(續)

(g) 於股本證券的其他投資

本集團對股本證券的投資(除對子公司的投資外)的政策如下：

股本證券的投資初步按公允值列賬，有關公允值為交易價，除非確定初步確認的公允值與交易價有所不同及於活躍市場上就相同資產或負債的報價可證明該公允值，或公允值乃根據評估技術(從可觀察市場獲取的數據)計算。成本包括應佔交易成本，但另有所指者除外。該等投資(視乎他們的分類)隨後按下列方式列賬：

於持作買賣股本證券的投資是分類為流動資產。任何應佔交易成本於產生時在損益確認。公允值於各報告期末計量，由此產生的任何收益或虧損於損益確認。於損益確認的收益或虧損淨額並不包括就該等投資賺取的股息或利息，因為該等股息或利息是按附註I(v)(iv)及I(v)(v)所載的政策確認。

不屬於以上任何類別的證券投資乃分類為可供出售投資。公允值乃於各報告期末時重新計量，所產生的任何收益或虧損乃於其他全面收入內確認，並另行累積計入公允值儲備的權益。在例外情況下，當股本證券投資於活躍市場並無相同工具的報價且公允值無法可靠計量時，則按成本減減值虧損於財務狀況表確認(見附註I(l))。利用實際利率計算的股本證券股息收入及債務證券利息收入乃分別按附註I(v)(iv)及I(v)(v)所載政策於損益內確認。因債務證券的攤銷成本變動產生的外匯損益亦於損益內確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Other investments in equity securities (Cont'd)

When the investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of the reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated statement of profit or loss on the date of retirement or disposal.

I 重大會計政策(續)

(g) 於股本證券的其他投資(續)

當終止確認投資或投資出現減值時(見附註1(l))，於權益內確認的累計收益或虧損乃重新分類至損益。在本集團承諾購買/出售投資或投資到期當日確認/終止確認有關投資。

(h) 衍生金融工具

衍生金融工具初步按公允值確認，並於報告期末重新計量公允值。於重新計量公允值時所得收益或虧損即時於損益確認。

(i) 物業、廠房及設備

物業、廠房及設備項目按成本減累計折舊及減值虧損(見附註1(l))於合併財務狀況表內列賬。

自建物業、廠房及設備項目的成本包括材料成本、直接勞工成本以及拆卸及搬遷項目與恢復項目所在地原貌的初步估計成本(如有關)及適當比例間接生產成本及借貸成本(見附註1(x))。

當在建工程可作擬定用途時，轉為物業、廠房及設備。在建工程不計提折舊。

停用或出售物業、廠房及設備項目所產生的收益或虧損按出售所得款項淨額與該項目賬面值的差額釐定，並於停用或出售當日的合併損益表確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Property, plant and equipment (Cont'd)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

		Estimated residual value as a percentage of costs
	Years	估計剩餘價值 佔成本百分比
	年期	
Buildings	樓宇	20 - 40
Motor vehicles	汽車	4
Office equipment	辦公設備	3 - 5

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note I(l)(ii)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

I 重大會計政策(續)

(i) 物業、廠房及設備(續)

折舊是採用直線法按估計可使用年期撇銷物業、廠房及設備項目的成本並扣除其估計剩餘價值(如有)計算，詳情如下：

	Estimated residual value as a percentage of costs
Years	估計剩餘價值 佔成本百分比
年期	
20 - 40	5%
4	5%
3 - 5	3% - 5%

倘物業、廠房及設備項目各部分的可使用年期不同，該項目的成本按合理基準於各部分之間分配，且各部分單獨折舊。資產的可使用年期及其剩餘價值(如有)均每年進行審閱。

(j) 無形資產(商譽除外)

本集團所收購的無形資產以成本減累計攤銷(當估計可使用年期為有限時)及減值虧損(見附註I(l)(ii))列賬。具有有限可使用年期的無形資產攤銷以直線法按資產的估計可使用年限自損益扣除。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Intangible assets (other than goodwill) (Cont'd)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

Software	5 years
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Both the period and method of amortisation are reviewed annually.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

I 重大會計政策(續)

(j) 無形資產(商譽除外)(續)

具有有限可使用年期的無形資產攤銷按資產估計可使用年期於損益內以直線法攤銷。以下具有有限可使用年期的無形資產是於其可供使用當日起攤銷，其估計可使用年期如下：

軟件	5年
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攤銷期間及方法均每年進行審核。

(k) 租賃資產

倘本集團釐定一項安排賦予於一段協定期間內使用一項指定資產或多項資產的權利，並以付款或系列付款作為交換，則該項安排(包括交易或系列交易)為或包含一項租賃。本集團經評估該項安排的實際內容後作出相關決定，並不會考慮該項安排是否屬租賃的法定形式。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Leased assets (Cont'd)

(i) Classification of assets leased to the Group

Assets that are leased by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

I 重大會計政策(續)

(k) 租賃資產(續)

(i) 租賃予本集團的資產分類

對於本集團根據租約租賃的資產，倘租賃使所有權的絕大部分風險及回報轉移至本集團，有關資產便會劃歸為以融資租賃持有。倘租賃不會使所有權的絕大部分風險及回報轉移至本集團，則劃歸為經營租賃，但下列情況除外：

- 就經營租賃持作自用的土地而言，倘於租賃開始時，其公允值無法與位於其上的樓宇的公允值分開計量，則作為融資租賃持有入賬，除非該樓宇亦根據一項經營租賃清楚持有。就以上目的而言，租賃開始日期是本集團首次簽訂租賃或從前承租人接手的時間。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Leased assets (Cont'd)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property, property under development for sales and completed property held for sale (see note I(m)).

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

I 重大會計政策(續)

(k) 租賃資產(續)

(ii) 經營租賃支出

倘本集團根據經營租賃使用持有的資產，根據租賃作出的付款會在租期所涵蓋的會計期間內，分期等額自損益扣除，但倘有其他基準更能反映租賃資產所產生的收益模式則除外。所收取的租賃獎勵於損益內確認為所作出租賃淨付款總額的組成部分。或然租金在其產生的會計期間自損益扣除。

根據經營租賃所持土地的收購成本按直線法在租期內攤銷，但分類為投資物業、待售在建物業及待售已完工物業(附註I(m))的物業除外。

倘售後租回交易引致經營租賃，且該交易明顯按公允值設立，則須即時確認任何損益。倘售價低於公允值，則須即時確認任何損益，但倘以低於市價的未來租賃付款補償虧損，則有關損益須遞延並按租賃付款的比例在預期使用資產期間攤銷。倘售價高於公允值，則超過公允值的差額須遞延並在預期使用資產期間攤銷。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in equity securities below its cost.

I 重大會計政策(續)

(I) 資產減值

(i) 股本證券的投資及其他應收款項的減值

按成本或攤銷成本入賬的股本證券的投資及其他即期及非即期應收款項或分類為可供出售證券於各報告期末審核，以釐定是否存在減值的客觀證據。減值的客觀證據包括引起本集團注意到有關下列一項或多項虧損事件的可觀察數據：

- 債務人陷入重大財務困難；
- 違反合約，如欠付或拖延償還利息或本金；
- 債務人可能破產或進行其他財務重組；
- 科技、市場、經濟或法律環境出現重大變動，對債務人有不利影響；及
- 股本證券投資的公允價值發生嚴重或長期下跌而低於其成本。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in joint venture accounted for under equity method, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(I)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(I)(ii).

I 重大會計政策(續)

(I) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

倘存在任何該等證據，則按以下方式釐定及確認任何減值虧損：

- 就以權益法核算的合營企業的投資而言，減值虧損是根據附註 1(I)(ii) 對該投資的可收回金額及其賬面值進行比較而計量。倘根據附註 1(I)(ii) 用於釐定可收回金額的估計出現有利變動，則會撥回減值虧損。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

I 重大會計政策(續)

(I) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

- 對於貿易及其他即期應收款項及其他按攤銷成本列賬的金融資產，倘貼現的影響屬重大，減值虧損以資產之賬面值與以金融資產原實際利率(即初步確認該等資產時所計算的實際利率)貼現的估計未來現金流量現值的差額計量。如該等金融資產具備類似風險特徵，例如類似逾期情況及並未單獨被評估為減值，則對該等資產進行集體評估。集體評估減值的金融資產的未來現金流量，是根據與整個組別信貸風險特徵類似的資產的過往虧損經驗作出。

倘減值虧損金額在其後期間減少，且客觀上與確認減值虧損後發生的事件有關，則減值虧損會通過損益撥回。減值虧損的撥回不得導致資產的賬面值超過以往年度並無確認減值虧損而應釐定的數額。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

I 重大會計政策(續)

(I) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

就可供出售證券而言，已確認於公允價值儲備的累計虧損重新分類至損益。確認至損益的累計虧損金額為收購成本(減任何本金還款及攤銷)與現時公允價值的差額減過往確認於損益的資產的任何減值虧損。

有關可供出售股本證券於損益內確認的減值虧損並未通過損益撥回。該等資產的公允價值的任何其後增加於其他全面收入確認。

倘公允價值的其後增加客觀上與減值虧損確認後發生的事件有關，則撥回可供出售債務證券的減值虧損。於此等情況下撥回的減值虧損於損益確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated statement of profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Intangible assets;
- Goodwill; and
- Investments in subsidiaries and joint ventures in the Company's statement of financial position.

I 重大會計政策(續)

(I) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

減值虧損從相應資產中直接撇銷，但因包含在貿易及其他應收款項中的貿易應收賬款及應收票據的可收回性被視為難以預料而並非微乎其微，就其確認的減值虧損除外。在此情況下，呆賬的減值虧損以撥備賬記錄。當本集團確認能收回貿易應收賬款的機會微乎其微時，則視為不可收回金額會直接從貿易應收賬款及應收票據中撇銷，而在撥備賬中就該債務保留的任何金額會被撥回。倘之前計入撥備賬的款項在其後收回，則有關款項於撥備賬撥回。撥備賬的其他變動及其後收回先前直接撇銷的款項均於合併損益表中確認。

(ii) 其他資產減值

本集團會在各報告期末審核內部及外界資料，以識別是否有跡象顯示下列資產(除商譽外)可能出現減值或過往確認的減值虧損已不再存在或可能已減少：

- 物業、廠房及設備；
- 無形資產；
- 商譽；及
- 在本公司的財務狀況表內對子公司及合資企業的投資。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

I 重大會計政策(續)

(I) 資產減值(續)

(ii) 其他資產減值(續)

若存在上述任何跡象，則會估計有關資產的可收回金額。

— 計算可收回金額

資產可收回金額為其公允值減處置成本與使用價值兩者中的較高者。在評估使用價值時，估計未來現金流量會使用可反映當時市場對貨幣時間值及資產特定風險的評估的稅前貼現率，貼現至其現值。倘資產所產生現金流入並非基本上獨立於其他資產所產生者，則以能獨立產生現金流入的最小資產組別(即現金產生單位)釐定可收回金額。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Recognition of impairment losses

An impairment loss is recognised in the consolidated statement of profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of profit or loss in the year in which the reversals are recognised.

I 重大會計政策(續)

(I) 資產減值(續)

(ii) 其他資產減值(續)

– 確認減值虧損

當資產或其所屬現金產生單位的賬面值超過其可收回金額時，減值虧損於合併損益表確認。就現金產生單位確認的減值虧損，會按比例分配以減少該單位(或該組單位)內其他資產的賬面值，但資產賬面值不會減至低於其個別的公允值減處置成本(如可計量)或使用價值(如能釐定)。

– 撥回減值虧損

倘用作釐定可收回金額的估計出現有利變化，則會撥回減值虧損。商譽的減值虧損不會撥回。

減值虧損的撥回僅限於過往年度並未確認減值虧損而應釐定的資產賬面值。所撥回減值虧損在確認撥回的年度計入合併損益表。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Properties held for future development for sale and properties under development for sale

The cost of properties held for future development for sale and properties under development for sale comprises specifically identified cost, including land use right, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note I(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

I 重大會計政策(續)

(m) 存貨

有關物業開發活動的存貨以成本及可變現淨值兩者中的較低者入賬。成本及可變現淨值按下述方式釐定：

- 待售未來待開發物業及待售在建物業

待售未來待開發物業及待售在建物業的成本包含已明確識別的成本，包括土地使用權及發展、物料和供應品總成本、工資及其他直接支出，以及適當比例之間接費用及資本化借貸成本(見附註I(x))。可變現淨值為估計售價減估計完工成本及出售物業所產生的成本後的金額。

- 待售已完工物業

本集團已完工物業的成本按未售物業所佔該發展項目總發展成本分攤計算。可變現淨值為估計售價減出售物業所產生的成本。

待售已完工物業的成本包括所有購買成本、轉換成本以及將存貨運往現時位置及達至現狀所產生的其他成本。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Inventories (Cont'd)

- Transfers from inventories to investment properties

Transfers from inventories to investment properties shall be made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party. Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

- Other inventories

Other inventories mainly include low-value consumption goods. They are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprise all costs of purchase. When inventories are consumed, the carrying amount of inventories is recognised as an expense in the year in which the consumption occurs. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

I 重大會計政策(續)

(m) 存貨(續)

- 由存貨轉撥至投資物業

存貨須於並僅於用途發生變更(以給予另一方的經營租賃開始為證明)時方轉撥至投資物業。投資物業按公允價值列賬，於報告期末仍處於建設或開發當中且其公允價值於當時尚無法可靠計量者則除外。投資物業的公允價值變動或退用或出售產生的任何收益或虧損於損益內確認。

- 其他存貨

其他存貨主要包括低值易耗品。其他存貨按成本及可變現淨值兩者中的較低者入賬。成本利用加權平均成本公式計算，並包括所有購買成本。存貨消耗時，其賬面值於消耗發生當年確認為支出。將任何存貨撇減至可變現淨值的金額及所有存貨虧損於撇減或虧損發生期內確認為支出。

(n) 貿易及其他應收款項

貿易及其他應收款項初步按公允價值確認，其後按攤銷成本減呆賬減值撥備(見附註1(l))入賬，但作為支付予關聯方的無固定還款期或貼現影響並不重大的免息貸款的應收款項除外。在此情況下，該等應收款項按成本減呆賬減值撥備入賬。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note I(o) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs. Subsequent to initial recognition, the liability is stated at amortised cost.

Where the preference share capital classified as a liability has an embedded derivative, the embedded derivative is measured at fair value as part of derivative financial instruments (see note I(h)) on initial recognition. The embedded derivative is remeasured at the end of each reporting period to the fair value. The change in fair value of the embedded derivative is recognised in profit or loss.

I 重大會計政策(續)

(o) 計息借貸

計息借貸初步按公允值減應佔交易成本確認。於初步確認後，計息借貸按攤銷成本入賬，最初確認金額與贖回價值之間的任何差額(連同任何應付利息及費用)會在借貸期間內以實際利率法於損益確認。

(p) 優先股股本

倘優先股股本為不可贖回或僅可由本公司選擇贖回，且任何股息是酌情派付時，優先股股本則歸類為權益。歸類為權益的優先股股本的股息確認為權益分派。

倘優先股股本為可於指定日期贖回或可由股東選擇贖回，或倘股息並非酌情派付時，優先股股本則歸類為負債。負債根據本集團就於附註 I(o) 所載的計息借貸政策確認，而相應地，由此產生的股息按累計基準於損益確認為部分融資成本。於初步確認後，負債是按攤銷成本列賬。

倘歸類為負債的優先股股本擁有嵌入式衍生工具，則該嵌入式衍生工具作為部分衍生金融工具(見附註 I(h))於初步確認時按公允值計量。嵌入式衍生工具在各報告期末進行公允值重新計量。嵌入式衍生工具的公允值變動於損益確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligation for contributions to defined contribution retirement plans pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred, except to the extent that they are included in properties for sale not yet recognised as an expense.

I 重大會計政策(續)

(q) 貿易及其他應付款項

貿易及其他應付款項初步按公允價值確認。貿易及其他應付款項其後按攤銷成本列賬，除非貼現影響並不重大，在此情況下，則按成本入賬。

(r) 現金及現金等值物

現金及現金等值物包括銀行存款及現金、存放於銀行及其他金融機構的活期存款，以及短期且流動性極高的投資，該等投資可隨時變現為已知現金數額及無重大價值轉變的風險，於購入後三個月內到期。

(s) 僱員福利

(i) *短期僱員福利及定額供款退休計劃*

薪金、年度獎金、帶薪年假、定額供款退休計劃及非貨幣福利的成本已於僱員提供相關服務的年度內計提。若延遲付款或結算及其影響屬重大，該等款項將按現值入賬。

除已計入待售物業而尚未確認為支出者外，根據中華人民共和國(「中國」)相關勞動法規及規例向定額供款退休計劃作出供款的責任在產生時於損益確認為支出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Employee benefits (Cont'd)

(ii) Equity settled share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the equity settled share-based payment reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the equity settled share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the equity settled share-based payment) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the equity settled share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

I 重大會計政策(續)

(s) 僱員福利(續)

(ii) 以權益結算以股份為基礎的付款

向僱員所授購股權的公允值確認為僱員成本，並於權益的以權益結算以股份為基礎的付款儲備作出相應增加。公允值是於授出日期使用二項式期權定價模式並計及所授出購股權的條款及條件計量。倘僱員須在無條件享有購股權前符合歸屬條件，則購股權的估計公允值總額經考慮購股權的歸屬可能性後於歸屬期內攤分。

歸屬期內會審閱預期將歸屬的購股權數目。除非原僱員開支合資格確認為資產，否則對過往年內已確認累計公允值所作出的任何調整，均在審閱年度自損益扣除／計入損益，並對以權益結算以股份為基礎的付款儲備作出相應調整。於歸屬日期，會對確認為開支的數額作出調整，以反映所歸屬購股權的實際數目(並對以權益結算以股份為基礎的付款儲備作出相應調整)，但僅因未能達成與本公司股份市價有關的歸屬條件而遭沒收的購股權則除外。權益金額是於資本儲備確認，直至購股權獲行使(屆時會轉撥至股本溢價賬)或購股權屆滿(屆時會直接撥入保留利潤)為止。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Employee benefits (Cont'd)

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

I 重大會計政策(續)

(s) 僱員福利(續)

(iii) 終止福利

終止福利於本集團不再能夠取消提供該等福利時及其確認涉及支付終止福利的重組成本時(以較早者為準)確認。

(t) 所得稅

年度所得稅包括即期稅項及遞延稅項資產與負債變動。即期稅項及遞延稅項資產與負債變動均在損益確認，但倘該等項目與於其他全面收益表或直接於權益確認的項目有關，則有關稅項分別於其他全面收益表或直接於權益確認。

即期稅項為年度應課稅收入的預期應付稅項，採用於報告期末已生效或實質已生效的稅率計算，同時考慮就過往年度應付稅項作出的任何調整。

遞延稅項資產及負債分別由可抵扣和應稅暫時差異產生，即財務報告所呈報資產及負債的賬面值與其稅基之間的差異。遞延稅項資產亦會因未動用稅項虧損及未動用稅項抵免而產生。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Income tax (Cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

I 重大會計政策(續)

(t) 所得稅(續)

除若干有限例外情況外，所有遞延稅項負債及所有遞延稅項資產均於日後可能有應課稅利潤用以抵銷可動用資產時確認。可支持確認源自可扣稅暫時性差額的遞延稅項資產的日後應課稅利潤，包括該等源自撥回現有應課稅暫時性差額者，但該等差額須與相同稅務機關及相同應課稅實體有關，並預期於撥回可扣減暫時性差額的同一期間或源自遞延稅項資產的稅項虧損可撥回或結轉的期間撥回。在評定現有應課稅暫時性差額是否支持確認因未動用稅項虧損及抵免產生的遞延稅項資產時採用相同的標準，即倘該等暫時性差額與相同稅務機關及相同應課稅實體有關，並預期於可使用稅項虧損或抵免期間內撥回，則會考慮確認遞延稅項資產。

確認遞延稅項資產及負債的有限例外情況為不可就稅務目的扣減的商譽、不影響會計或應課稅利潤的資產或負債的初步確認(前提是他們不屬於業務合併的一部分)所產生的暫時性差額，以及有關投資子公司的暫時性差額(如屬應課稅差額可以由本集團控制轉回時間，而且在可預見的未來不大可能轉回的差額，或如屬可扣減差額，則僅限於很可能在未來轉回的差額)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Income tax (Cont'd)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or

I 重大會計政策(續)

(t) 所得稅(續)

已確認的遞延稅項按預期變現或清償資產及負債賬面值的方式，以報告期末已頒佈或實質已頒佈的稅率計算。遞延稅項資產及負債並未貼現。

遞延稅項資產的賬面值會於各報告期末審閱，並扣減至不再可能取得足夠應課稅利潤以動用有關稅務利益為止。任何減幅會於可能取得足夠應課稅利潤時撥回。

分派股息所產生的額外所得稅於確認支付相關股息的責任時確認。

即期稅項結餘與遞延稅項結餘及其變動單獨呈列，且不予抵銷。即期稅項資產與即期稅項負債以及遞延稅項資產與遞延稅項負債只會在本集團有法定執行權以即期稅項資產抵銷即期稅項負債，並在符合下列附帶條件的情況下，方可相互抵銷：

- 如屬即期稅項資產及負債，本集團計劃按淨額基準結算，或同時變現該資產及清償該負債；或
- 如屬遞延稅項資產及負債，倘他們與相同稅務機關就以下其中一項徵收的所得稅有關：
 - 相同應課稅實體；或

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Income tax (Cont'd)

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

I 重大會計政策(續)

(t) 所得稅(續)

- 不同應課稅實體，計劃在預期有重大金額的遞延稅項負債或資產須予清償或可收回的各未來期間，按淨額基準變現即期稅項資產及清償即期稅項負債，或同時變現即期稅項資產及清償即期稅項負債。

(u) 已發出財務擔保、撥備及或然負債

(i) 已發出財務擔保

財務擔保指要求發行人(即擔保人)支付指定款項以向擔保受益人(「持有人」)賠償因指定債務人未能根據債務工具之條款支付到期款項而導致持有人蒙受損失的合約。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Financial guarantees issued, provisions and contingent liabilities (Cont'd)

(i) Financial guarantees issued (Cont'd)

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

I 重大會計政策(續)

(u) 已發出財務擔保、撥備及或然負債(續)

(i) 已發出財務擔保(續)

本集團發出財務擔保時，該擔保的公允值初步確認為貿易及其他應付款項內的遞延收入。已發出財務擔保於發出時的公允值乃參照在正常交易中就類似服務所收取的費用(當該等資料可得時)釐定，或通過比較在有擔保下貸款人收取的實際利率與假設沒有擔保下估計貸款人應收取的利率(如該等資料能可靠估計)，參照利率差額作出估計。倘就發出有關擔保已收或應收對價，則有關對價根據適用於該類別資產的本集團政策確認。倘並無該等已收或應收對價，則於初步確認任何遞延收入時即時於損益確認開支。

初步確認為遞延收入的擔保金額，作為已發出財務擔保的收入於擔保期內在損益攤銷。此外，倘(i)擔保持有人有可能要求本集團履行有關擔保，及(ii)對本集團提出的申索款額預期超過現時就該擔保於貿易及其他應付款項所列金額(即初步確認的金額)減累計攤銷，則確認撥備。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Financial guarantees issued, provisions and contingent liabilities (Cont'd)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

I 重大會計政策(續)

(u) 已發出財務擔保、撥備及或然負債(續)

(ii) 其他撥備及或然負債

當本集團或本公司須就過往事件承擔法定或推定責任，且履行責任可能須流出經濟利益並可作出可靠估計時，便會就尚未確定時間或金額的其他負債確認撥備。倘貨幣的時間價值重大，則按預計履行該責任所需支出的現值計提撥備。

倘不大可能需要流出經濟利益，或有關數額無法可靠估計，則該責任披露為或然負債，但倘流出經濟利益的可能性極低則除外。須視乎一宗或多宗未來事件是否發生才能確定存在與否的可能責任亦披露為或然負債，但倘流出經濟利益的可能性極低則除外。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue from sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the buyers.

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as receipts in advance.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

I 重大會計政策(續)

(v) 收益確認

收益按已收或應收對價的公允值計量。倘經濟利益可能流入本集團且收益及成本(視情況而定)能可靠計量，則收益於損益確認如下：

(i) 銷售物業

銷售物業所得收益於所有權的重大風險及回報已轉至買方時確認。本集團認為，當相關物業竣工並交付予買方時，所有權的重大風險及回報即視為轉移。

銷售物業所得收益不包括營業稅及其他銷售相關稅項，為扣除任何貿易折扣後所得者。在收益確認當日之前就出售物業所收之定金及分期付款作為預收款項計入財務狀況表。

(ii) 經營租賃的租金收入

經營租賃的應收租金收入在租期所涵蓋的期間內，以等額分期款項於損益確認，但倘有其他基準更清楚地反映使用租賃資產所產生之收益模式則除外。所授的租賃優惠於損益確認為應收租賃淨付款總額的組成部分。或然租金在產生的會計期間確認為收入。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Revenue recognition (Cont'd)

(iii) Service fee income

Service fee income in relation to property management service, advertising service and other ancillary services are recognised when such services are provided to customers.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of inventories are initially recognised as deferred income and subsequently deducted from the cost of sales when the inventories are sold upon meeting the relevant conditions, if any, attaching to them.

I 重大會計政策(續)

(v) 收益確認(續)

(iii) 服務費收入

有關物業管理服務、廣告服務及其他配套服務的服務費收入於向客戶提供服務時確認。

(iv) 股息

來自非上市投資的股息收入於股東收取付款的權利確立時確認。

(v) 利息收入

利息收入使用實際利率法於產生時確認。

(vi) 政府補助

倘可合理保證本集團能收取政府補助且符合有關補貼所附條件，則政府補助初步於財務狀況表確認。補償本集團所涉開支的補助於開支產生期間有系統地於損益確認為收入。補償本集團存貨成本的補助初步確認為遞延收入，其後於符合所附條件(如有)而出售存貨時自銷售成本扣除。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

I 重大會計政策(續)

(w) 外幣換算

年內外幣交易按交易日期現行的匯率換算。以外幣計值的貨幣資產及負債按報告期末現行的匯率換算。匯兌收益及虧損於損益確認。

以外幣計值並按歷史成本計量的非貨幣資產及負債使用交易日期現行的匯率換算。以外幣計值並按公允價值計量的非貨幣資產及負債使用計量公允價值當日現行的匯率換算。

經營業績按交易日期現行匯率的近似匯率換算為人民幣。財務狀況表項目按各報告期末的收市匯率換算為人民幣。

所產生的匯兌差額於其他全面收入確認，並於權益的外匯儲備內單獨累計。

出售境外業務時，有關境外業務的匯兌差額的累計金額於確認出售損益時自權益重新分類至損益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

I 重大會計政策(續)

(x) 借貸成本

購置、興建或生產需要長時間籌備以作擬定用途或出售的資產直接相關的借貸成本資本化為該資產的部分成本。其他借貸成本於產生期間支銷。

當資產產生開支與產生借貸成本以及正進行籌備資產以作擬定用途或出售的必要工作時，開始將屬於合資格資產成本一部分的借貸成本資本化。當籌備合資格資產以作擬定用途或出售的必要工作絕大部分中斷或完成時，會暫停或終止將借貸成本資本化。

(y) 持作出售非流動資產

倘非流動資產(或出售組合)賬面值極可能通過銷售交易而非持續使用且資產(或出售組合)可於現況下出售，則非流動資產(或出售組合)分類為持作出售。出售組合為於一次交易中共同出售的一組資產，及於該交易中轉讓該等資產直接相關的負債。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(y) Non-current assets held for sale (Cont'd)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred taxation. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note I.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

I 重大會計政策(續)

(y) 持作出售非流動資產(續)

緊接分類為持作出售前，非流動資產(及出售組合的所有個別資產及負債)的計量按分類前的會計政策更新。此後，初步分類為持作出售後及直至出售前，非流動資產(下文所詮釋的若干資產除外)或出售組合按賬面值與公允值減出售成本(以較低者為準)確認。就本集團及本公司的財務報表而言，該計量政策的主要例外情況有關遞延稅項。該等項目即使持作出售，仍會根據附註 I 其他地方所載政策計量。

初步分類為持作出售且於之後持作出售時重新計量的減值虧損於損益確認。倘非流動資產分類為持作出售，或計入分類為持作出售的出售組合，則非流動資產不會折舊或攤銷。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Related parties

- (a) A person, or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

I 重大會計政策(續)

(z) 關聯方

- (a) 倘屬以下人士，則該人士或該人士的近親家庭成員與本集團有關聯：
- (i) 對本集團擁有控制權或共同控制權；
 - (ii) 對本集團擁有重大影響力；或
 - (iii) 為本集團或本集團母公司的主要管理層成員。
- (b) 倘以下條件適用，則該實體與本集團有關聯：
- (i) 該實體與本集團屬同一集團的成員公司(即各母公司、子公司及同系子公司彼此間有關連)。
 - (ii) 一家實體為另一實體的聯營公司或合資企業(或另一實體為所屬集團的成員公司的聯營公司或合資企業)。
 - (iii) 兩間實體均為同一第三方的合資企業。
 - (iv) 一家實體為第三方實體的合資企業，而另一實體為同一第三方實體的聯營公司。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Related parties (Cont'd)

(b) (Cont'd)

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

I 重大會計政策(續)

(z) 關聯方(續)

(b) (續)

- (v) 該實體為本集團或與本集團有關聯的實體就僱員福利而設的離職後福利計劃。
- (vi) 該實體受(a)所識別人土控制或受共同控制。
- (vii) 於(a)(i)所識別人土對實體有重大影響力或屬該實體(或該實體的母公司)主要管理層成員。

一名人土的近親家庭成員指預期在與實體的交易中可影響該人土或受該人土影響的家庭成員。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

I 重大會計政策(續)

(aa) 分部報告

本集團為分配資源予本集團各項業務及各個地區以及評估各項業務及各個地區的業績，會定期向本集團大多數高級行政管理層提供財務資料。從該等資料中可找出於合併財務報表報告的經營分部及各分部項目金額。

個別重大經營分部不會就財務報告予以匯總，除非該等分部擁有相若的經濟特性，且其產品及服務性質、生產流程性質、客戶類型或類別、用以分銷產品或提供服務的方法以及監管環境的性質均相若。倘個別不重大經營分部擁有大部分該等特徵，則可能會匯總。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

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2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) *Classification between inventories, owner-occupied properties and investment properties*

The Group develops property projects with an initial intention to be held for sale and retains a portion of properties held for own use. The Group also has plans to retain a portion of properties as investment properties to earn rentals or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as a property held for sale, owner-occupied property or an investment property. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of development, the related properties under development are accounted for as (1) properties under development included in current assets if the properties are intended for sale after their completion; (2) owner-occupied properties included in properties, plant and equipment if the properties are intended for own use; and (3) investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation.

2 會計判斷及估計

(a) 應用本集團會計政策時所作重大會計判斷

在應用本集團會計政策時，管理層曾作出以下會計判斷：

(i) 存貨、自有物業及投資物業的分類

本集團開發物業的基本目的為持作出售或保留部分所持有物業作自用。本集團亦計劃保留部分物業作投資用途以賺取租金收入或資本增值，或兩者兼得。管理層在決定某項物業指定作持作出售物業、自用物業或投資物業時須作出判斷。本集團認為其擬在有關物業開發初期持有物業。在開發過程中，相關發展中物業會按以下方式入賬：(1) 如物業在完成後擬作出售，計入流動資產中的發展中物業；(2) 如物業擬作自用，計入物業、廠房及設備中的自用物業；及(3) 如物業擬持有以賺取租金收入及／或資本增值，則計入在建投資物業。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty

Notes 26, 28 and 31 contain information about the assumptions and their risk factors relating to the fair value of redeemable convertible preference shares issued, fair value of share options granted and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment of inventories

As explained in note 1(m), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源

有關已發行可贖回可換股優先股公允值、已授出購股權的公允值及金融工具的公允值的假設及其風險因素的資料載於附註26、28及31。估計不確定因素的其他主要來源如下：

(i) 存貨減值

誠如附註1(m)所釋，本集團未來待開發土地、在建物業及待售已完工物業按成本與可變現淨值兩者中的較低數額列賬。根據本集團近期經驗及有關物業的性質，本集團就售價、在建物業的竣工成本及出售該物業將引致的成本作出估計。

倘竣工成本增加或淨銷售額減少，則可能導致須就待售已完工物業、未來待開發物業及待售在建物業作出撥備。該等撥備需要運用判斷及估計。倘預期異於最初估計，則該等物業的賬面值及撥備於有關估計變動期間將相應予以調整。

鑒於中國物業市場波動及個別物業獨特性質使然，成本及收益的實際結果可能會高於或低於報告期末所估計者。撥備的任何增減均會影響未來年度的損益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(ii) Recognition of deferred tax assets

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(iii) Provision for PRC Land Appreciation Tax ("PRC LAT")

As explained in note 6(b), the Group has estimated, made and included in tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of PRC LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(ii) 遞延稅項資產確認

遞延稅項資產按報告期末已頒佈或實質頒佈的稅率，根據預期變現或結算資產賬面值的方式確認及計量。釐定遞延稅項資產賬面值時，預期應課稅利潤的估計涉及多項有關本集團經營環境的假設，需要董事行使重大程度的判斷。該等假設及判斷的任何變動將影響將予確認的遞延稅項資產賬面值，從而影響未來年度淨利。

(iii) 中國土地增值稅(「中國土地增值稅」)撥備

誠如附註6(b)所述，本集團已根據相關中國稅務法律法規所載規定，估計、作出及在稅項內計入中國土地增值稅撥備。實際的中國土地增值稅負債須待物業開發項目完工後，由稅務當局釐定，而稅務當局可能不同意本集團計算中國土地增值稅撥備的基準。由於中國土地增值稅撥備視乎最終稅額計算而定，故釐定撥備水平時須作出重大判斷。鑒於當地稅務局所詮釋的中國土地增值稅計算基準並不確定，實際結果可能會高於或低於報告期末所估計者。實際結果／估計的任何增減均會影響作出有關計算期間的所得稅撥備。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(iv) *Recognition and allocation of construction costs on properties under development*

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss 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 management's best estimates.

(v) *Fair value of non-derivative financial instruments*

Fair value of non-derivative financial instruments carried at amortised costs, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(iv) *在建物業建設成本的確認及分配*

物業開發成本於工程階段入賬列為在建物業，並將於確認物業銷售後轉撥至損益。於最終結算開發成本及有關物業銷售的其他成本前，該等成本由本集團按管理層的最佳估計累計。

(v) *非衍生金融工具的公允值*

為披露目的所釐定按攤銷成本列賬的非衍生金融工具的公允值，是按報告日期的市場利率貼現的未來本金及利息現金流量的現值計算。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

3 TURNOVER AND SEGMENT REPORTING

The principal activities of the Group are development, sales and operation of commercial trade and logistics centers and residential properties in the PRC.

Turnover represents income from sales of properties, property management services income and rental income net of business tax and other sales related taxes and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover during the year are as follows:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Sales of properties	物業銷售	4,748,766	1,605,907
Property management services	物業管理服務	7,027	847
Rental income	租金收入	671	360
		4,756,464	1,607,114

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the PRC. The Group does not operate in any other geographical or business segment during the year.

3 營業額及分部報告

本集團的主要業務為在中國進行商貿物流中心及住宅物業的開發、銷售及經營。

營業額指物業銷售收入、物業管理服務收入及租金收入其中已扣除營業稅及其他銷售相關稅項及任何交易折扣。

年內已於營業額中確認的每項重大收益類別的金額如下：

本集團為分配資源予本集團各項業務及各個地區以及評估各項業務及各個地區的業績，會定期向本集團大多數高級行政管理層提供財務數據及資料。從該等數據及資料中可找出於合併財務報表報告的經營分部及各分部項目金額。由於本集團於中國主要從事一個分部，故並無呈列本集團的經營分部資料。年內本集團並無於任何其他地區或業務分部經營。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)		4 其他收益及其他收入/(虧損)淨額	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Other revenue	其他收益		
Dividend income	股息收入	4,019	—
Others	其他	1,334	1,377
		5,353	1,377
Other net income/(loss)	其他收入/(虧損)淨額		
Net gains on disposal of available-for-sale investments	出售可供出售投資收益淨額	14,562	—
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	—	(5)
		14,562	(5)

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

5 除稅前利潤

除稅前利潤經扣除／(計入)下列各項後得出：

(a) 財務收入及融資成本

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Finance income	財務收入		
Interest income	利息收入	(11,079)	(1,374)
Finance costs	融資成本		
Interest on bank loans and other borrowings	銀行貸款及其他借貸的利息	108,558	61,928
Less: interest expense capitalised into properties under development *	減：資本化撥入在建物業的利息開支*	(107,977)	(61,639)
		581	289
Net foreign exchange loss	匯兌虧損淨額	3,602	1,548
Finance expense on redeemable convertible preference shares	可贖回可換股優先股財務開支	66,000	71,404
		70,183	73,241

* The borrowing costs have been capitalised at rates ranging from 6.40% to 17.00% per annum for the year ended 31 December 2013 (2012: 6.65%-17.00% per annum).

* 截至2013年12月31日止年度借貸成本按6.40%至17.00%的年度比率資本化(2012年：每年6.65%至17.00%)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

5 PROFIT BEFORE TAXATION (Cont'd)

(b) Staff costs:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contributions to defined contribution retirement plans	定額供款退休計劃	7,402	3,138
Salaries, wages and other benefits	薪金、工資及其他福利	147,792	66,352
Equity settled share-based payment expenses (Note 28)	以權益結算以股份支付為基礎的開支(附註28)	5,707	6,109
		160,901	75,599

(c) Other items:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Depreciation and amortisation	折舊及攤銷	16,361	8,220
Auditors' remuneration	核數師酬金		
– Audit services	– 核數服務	2,246	139
– Tax advisory services	– 稅務諮詢服務	—	12
Operating lease charges	經營租賃支出	10,129	7,420
Cost of properties sold (note i)	已售物業成本(附註i)	1,817,539	829,265

(i) Cost of properties sold is after netting off benefits from government grants of RMB620,938,000 for the year ended 31 December 2013 (2012: RMB285,162,000).

5 除稅前利潤(續)

(b) 員工成本：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contributions to defined contribution retirement plans	定額供款退休計劃	7,402	3,138
Salaries, wages and other benefits	薪金、工資及其他福利	147,792	66,352
Equity settled share-based payment expenses (Note 28)	以權益結算以股份支付為基礎的開支(附註28)	5,707	6,109
		160,901	75,599

(c) 其他項目：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Depreciation and amortisation	折舊及攤銷	16,361	8,220
Auditors' remuneration	核數師酬金		
– Audit services	– 核數服務	2,246	139
– Tax advisory services	– 稅務諮詢服務	—	12
Operating lease charges	經營租賃支出	10,129	7,420
Cost of properties sold (note i)	已售物業成本(附註i)	1,817,539	829,265

(i) 已售物業成本是經扣除截至2013年12月31日止年度的政府補助人民幣620,938,000元後得出(2012年：人民幣285,162,000元)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

6 合併損益表內的所得稅

(a) Taxation in the consolidated statement of profit or loss represents:

(a) 合併損益表內的稅項指：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current tax	即期稅項		
PRC Corporate Income Tax ("PRC CIT")	中國企業所得稅(「中國企業所得稅」)	473,453	259,309
PRC LAT (note iv)	中國土地增值稅(附註iv)	687,289	60,907
Under-provision in respect of prior years (note v)	以往年度撥備不足 (附註v)	16,782	—
		1,177,524	320,216
Deferred tax	遞延稅項		
Origination and reversal of temporary differences	暫時性差額的產生 及撥回	(28,628)	(74,725)
		1,148,896	245,491

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

		2013 RMB'000 人民幣千元	2012 RMB'000 人民幣千元
Profit before taxation	除稅前利潤	2,324,859	460,282
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	按有關國家適用於利潤的稅率計算的除稅前利潤的名義稅項	634,772	210,254
Tax effect of non-deductible expenses	不可扣稅開支的稅務影響	11,023	5,453
Tax effect of non-taxable income	毋須課稅收入的稅務影響	(1,005)	—
Tax effect of unused tax losses not recognised	未確認未動用稅項虧損的稅務影響	8,987	298
Utilisation of previously unrecognised tax losses	動用先前未經確認稅項虧損	(322)	(1)
Withholding tax on distributable profits of PRC subsidiaries	中國子公司可分派溢利的預扣稅	63,038	—
PRC LAT (note iv)	中國土地增值稅(附註iv)	687,289	60,907
Tax effect on PRC LAT	中國土地增值稅稅務影響	(171,822)	(15,227)
Tax effect of adopting prescribed tax calculation method by a PRC subsidiary (note iii)	中國子公司採用指定稅項計算方法的稅務影響(附註iii)	—	(16,193)
Tax concessions (note iii)	稅務優惠(附註iii)	(99,846)	—
Under-provision in respect of prior years (note v)	以往年度撥備不足(附註v)	16,782	—
Total income tax	所得稅總額	1,148,896	245,491

6 合併損益表內的所得稅(續)

(b) 所得稅與按適用稅率計算的會計利潤的對賬：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(b) Reconciliation between income tax and accounting profit at applicable tax rates: (Cont'd)

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in this jurisdiction.
- (ii) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year (2012: Nil).
- (iii) PRC CIT

The Group's PRC subsidiaries are subject to statutory tax rate of 25% on their assessable profits. According to the approval from the tax authority in Ningxiang, Hunan Province, Ningxiang Hydoo Guangcai Trade Center Development Company Limited's assessable profits were calculated based on 10% of its gross income for the year ended 31 December 2012.

In July 2013, Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("Ganzhou Trade Center") was approved to enjoy a preferential PRC CIT rate of 15% for the years from 2012 to 2020 according to a tax notice issued by the local tax bureau. The preferential tax treatment was based on various tax rules and regulations in relation to the PRC government's strategy in encouraging investment and development of wholesale trading markets in certain regions of China.

6 合併損益表內的所得稅(續)

(b) 所得稅與按適用稅率計算的會計利潤的對賬：(續)

- (i) 根據開曼群島規則及法規，本集團於該司法權區毋須繳納任何所得稅。
- (ii) 由於本集團年內並無賺取任何須繳納香港利得稅的收入，故並無就香港利得稅計提撥備(2012年：零)。
- (iii) 中國企業所得稅

本集團的中國子公司須就其應課稅利潤按25%的法定稅率繳稅。根據湖南省寧鄉縣稅務機關的批准，寧鄉毅德光彩貿易廣場開發有限公司的應課稅利潤是按其截至2012年12月31日止年度總收入的10%計算。

2013年7月，贛州毅德商貿物流園開發有限公司（「贛州商貿物流中心」）根據地方稅務局頒佈的稅務通知獲批自2012年至2020年享受15%的優惠中國企業所得稅稅率。該稅務優惠是基於與中國政府鼓勵中國若干地區投資及發展商貿物流業的政策有關的多項稅務規則及法規。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(b) Reconciliation between income tax and accounting profit at applicable tax rates: (Cont'd)

(iv) PRC LAT

PRC LAT which is levied on properties developed for sale by the Group in the PRC, at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures. Deferred tax assets arising from PRC LAT accrued are calculated based on the applicable income tax rates when they are expected to be cleared.

In addition, certain subsidiaries of the Group were subject to PRC LAT which were calculated based on 5% to 8% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

- (v) On 24 May 2013, Hydoo Estate (Ganzhou) Company Limited ("Hydoo Estate (Ganzhou)") reached a tax settlement with local tax bureaus and subsequently paid RMB16,782,000 for certain prior years' PRC CIT exposures.

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging PRC CIT and PRC LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Administration of Taxation or any tax bureau of higher authority is remote.

6 合併損益表內的所得稅(續)

(b) 所得稅與按適用稅率計算的會計利潤的對賬：(續)

(iv) 中國土地增值稅

本集團銷售於中國所開發物業須按價值增幅以30%至60%的累進稅率繳納中國土地增值稅，根據適用規例，中國土地增值稅是按銷售物業所得款項減可扣稅開支（包括土地使用權租賃支出、借貸成本及所有合資格物業開發開支）計算。累計的中國土地增值稅產生的遞延稅項資產於他們預期結算時按適用所得稅稅率計算。

此外，本集團的若干子公司均須繳納中國土地增值稅，有關增值稅按照各自地方稅務局批准的法定增值稅計稅方法基於他們收益的5%至8%計算。

- (v) 毅德置業（贛州）有限公司（「毅德置業（贛州）」）於2013年5月24日與地方稅務局達成一項稅項和解，並隨後就部分以往年度的中國企業所得稅應繳稅款支付人民幣16,782,000元。

本公司董事認為，其獲核准採用的計稅方法是中國認可的計稅方法之一，而本集團中國子公司所在地的各地方稅務局為批准該等公司以核定計稅方法徵收中國企業所得稅及中國土地增值稅的主管稅務機關，故受國家稅務總局或任何上級主管稅務機關質疑的風險不大。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

7 董事薪酬

根據香港公司條例第161條披露的董事薪酬如下：

		For the year ended 31 December 2013				
		截至2013年12月31日止年度				
		Salaries		Retirement	Equity settled	
		allowances and		scheme	share-based	
		benefits in kind		contributions	payment	
		薪金、		退休	以權益計算	
		津貼及		計劃供款	以股份為	Total
		董事袍金	實物福利		基礎的付款	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Executive directors:	執行董事：					
Wong Choihing	王再興	5,000	1,945	—	472	7,417
Wang Dewen*	王德文*	—	559	6	—	565
Huang Dehong**	黃德宏**	1,500	589	7	136	2,232
Non-executive director:	非執行董事：					
Yuan Bing	袁兵	—	—	—	—	—
Independent non-executive directors**:	獨立非執行董事**：					
Yang Xianzu	楊賢足	201	—	—	67	268
Wang Lianzhou	王連洲	201	—	—	67	268
Lam, Chi Yuen Nelson	林智遠	200	—	—	67	267
		7,102	3,093	13	809	11,017

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

7 DIRECTORS' REMUNERATION (Cont'd)

7 董事薪酬(續)

For the year ended 31 December 2012

截至2012年12月31日止年度

		Salaries allowances and benefits in kind 薪金、 津貼及 實物福利	Retirement scheme contributions 退休 計劃供款	Equity settled share-based payment 以權益計算 以股份為 基礎的付款	Total 總計
	Directors' fee 董事袍金	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Executive directors:	執行董事：				
Wong Choihing	王再興	—	3,136	885	4,021
Wang Dewen*	王德文*	—	2,604	9	2,613
Non-executive director:	非執行董事：				
Yuan Bing	袁兵	—	—	—	—
		—	5,740	9	6,634

* Resigned in March 2013.

* 於2013年3月辭任。

** Appointed in March 2013.

** 於2013年3月獲委任。

During the year ended 31 December 2013, no amount was paid or payable by the Company to the directors or any of the 5 highest paid individuals set out in note 8 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration (2012: RMB Nil).

於截至2013年12月31日止年度，本集團並無向董事或任何五名最高薪人士(載於附註8)支付或應付任何酬金作為吸引加入本集團或於加入本集團時的獎勵或作為離職補償。並無董事已放棄或同意放棄任何酬金的任何安排。(2012年：人民幣零元)

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2012: two) are directors whose emoluments are disclosed in note 7. The emoluments in respect of the other three (2012: three) individual are as follows:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contributions to defined contribution retirement plans	定額供款退休計劃	68	38
Salaries, allowances and other benefits in kind	薪金、津貼及其他實物福利	7,350	4,817
Equity settled share-based payments (note 28)	以權益結算以股份為基礎的付款(附註28)	1,188	1,323
		8,606	6,178

The emoluments of the three (2012: three) individual with the highest emoluments are within the following bands:

		2013	2012
		Number of individuals	Number of individuals
		人數	人數
HK\$2,00,001 – HK\$2,500,000	2,00,001 港元至 2,500,000 港元	—	2
HK\$2,500,001 – HK\$3,000,000	2,500,001 港元至 3,000,000 港元	2	—
HK\$3,000,001 – HK\$3,500,000	3,000,001 港元至 3,500,000 港元	1	1

None of these employees received any inducements or compensation for loss of office, or waived any emoluments during the year (2012: Nil).

8 最高薪人士

五名最高薪人士中有兩名(2012年：兩名)為董事，他們薪酬披露於附註7。其他三名(2012年：三名)人士的薪酬如下：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contributions to defined contribution retirement plans	定額供款退休計劃	68	38
Salaries, allowances and other benefits in kind	薪金、津貼及其他實物福利	7,350	4,817
Equity settled share-based payments (note 28)	以權益結算以股份為基礎的付款(附註28)	1,188	1,323
		8,606	6,178

三名(2012年：三名)最高薪人士的薪酬介乎以下範圍：

		2013	2012
		Number of individuals	Number of individuals
		人數	人數
HK\$2,00,001 – HK\$2,500,000	2,00,001 港元至 2,500,000 港元	—	2
HK\$2,500,001 – HK\$3,000,000	2,500,001 港元至 3,000,000 港元	2	—
HK\$3,000,001 – HK\$3,500,000	3,000,001 港元至 3,500,000 港元	1	1

年內該等僱員並無收取任何獎金或離職補償，亦無放棄任何酬金(2012年：零)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB178,001,000 (2012: loss of RMB372,556,000) which has been dealt with in the financial statements of the Company.

Details of dividends payable to equity shareholders of the Company are set out in note 30(f).

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,177,782,000 (2012: RMB216,506,000) and the weighted average of 2,883,306,000 ordinary shares (2012: 2,414,858,000 ordinary shares after adjusting for the capitalisation issue in 2013) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2013	2012
Immediately after capitalisation issue 緊隨資本化發行	2,649,744,000	2,414,858,000
Effect of Global Offering and automatic conversion of preference shares 全球發售及自動轉換優先股的影響	233,562,000	—
Weighted average number of ordinary shares at 31 December 於12月31日的普通股加權平均數	2,883,306,000	2,414,858,000

9 本公司權益股東應佔利潤

本公司權益股東應佔合併利潤包括虧損人民幣178,001,000元(2012年：虧損人民幣372,556,000元)，此金額已在本公司財務報表呈列。

應付本公司權益股東股息詳情載於附註30(f)。

10 每股盈利

(a) 每股基本盈利

每股基本盈利按本公司普通權益股東應佔利潤人民幣1,177,782,000元(2012年：人民幣216,506,000元)及年內已發行2,883,306,000股(2012年：2,414,858,000普通股(經2013年資本化發行調整後))普通股的加權平均數計算，結果如下：

(i) 普通股的加權平均數

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

10 EARNINGS PER SHARE (Cont'd)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,347,053,000 (2012: RMB216,506,000) and the weighted average of 3,423,092,000 ordinary shares (2012: 2,428,628,000 ordinary shares) calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit attributable to ordinary equity shareholders of the Company	本公司普通權益股東應佔利潤	1,177,782	216,506
After tax effect of finance expense on redeemable convertible preference shares	財務開支對可贖回可換股優先股的稅後影響	66,000	—
After tax effect of change in fair value of embedded derivative on redeemable convertible preference shares	嵌入式衍生工具公允價值變動對可贖回可換股優先股的稅後影響	103,271	—
Profit attributable to ordinary equity shareholders of the Company (diluted)	本公司普通權益股東應佔利潤(攤薄)	1,347,053	216,506

10 每股盈利(續)

(b) 每股攤薄盈利

每股攤薄盈利按本公司普通權益股東應佔利潤人民幣1,347,053,000元(2012年：人民幣216,506,000元)及3,423,092,000股普通股的加權平均數(2012年：2,428,628,000普通股)結果如下：

(i) 本公司普通權益股東應佔利潤(攤薄)

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

10 EARNINGS PER SHARE (Cont'd)

(b) Diluted earnings per share (Cont'd)

(ii) Weighted average number of ordinary shares (diluted)

		2013	2012
		'000	'000
		千股	千股
Weighted average number of ordinary shares at 31 December	於12月31日的普通股加權平均數	2,883,306	2,414,858
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration	根據本公司首次公開售股前購股權計劃以零對價視作發行股份的影響	41,704	13,770
Effect of conversion of redeemable convertible preference shares	轉換可贖回可換股優先股的影響	498,082	—
Weighted average number of ordinary shares at 31 December (diluted)	於12月31日的普通股加權平均數(攤薄)	3,423,092	2,428,628

For the year ended 31 December 2012, the effect of conversion of redeemable convertible preference shares was anti-dilutive.

10 每股盈利(續)

(b) 每股攤薄盈利(續)

(ii) 普通股加權平均數(攤薄)

截至2012年12月31日止年度，轉換可贖回可換股優先股具有反攤薄作用。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

II PROPERTY, PLANT AND EQUIPMENT

II 物業、廠房及設備

		Buildings	Motor vehicles	Office equipment	Total
		樓宇	汽車	辦公設備	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Cost:	成本：				
At 1 January 2012	於2012年1月1日	—	22,568	4,562	27,130
Additions	添置	9,559	17,985	9,276	36,820
Disposals	出售	—	(5,414)	(361)	(5,775)
At 31 December 2012 / 1 January 2013	於2012年12月31日 / 2013年1月1日	9,559	35,139	13,477	58,175
Additions	添置	—	21,522	9,351	30,873
Acquisitions through business combination (note 29(b))	通過業務合併而收購 (附註29(b))	—	327	424	751
At 31 December 2013	於2013年12月31日	9,559	56,988	23,252	89,799
Accumulated depreciation:	累計折舊：				
At 1 January 2012	於2012年1月1日	—	3,452	999	4,451
Charge for the year	年內支出	—	6,132	2,067	8,199
Written back on disposal	出售時撤回	—	(90)	(32)	(122)
At 31 December 2012 / 1 January 2013	於2012年12月31日 / 2013年1月1日	—	9,494	3,034	12,528
Charge for the year	年內支出	454	10,807	4,979	16,240
At 31 December 2013	於2013年12月31日	454	20,301	8,013	28,768
Net book value:	賬面淨值：				
At 31 December 2013	於2013年12月31日	9,105	36,687	15,239	61,031
At 31 December 2012	於2012年12月31日	9,559	25,645	10,443	45,647

The buildings are all situated on land in the PRC.

該等樓宇全部位於中國境內。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

12 INTEREST IN A JOINT VENTURE

12 於合營企業的權益

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Share of net assets	分佔資產淨值	—	—

Representing:

The Group had the following interest in a joint venture:

指：

本集團於合營企業的權益詳情如下：

Name of company 公司名稱	Date and place of establishment 註冊成立 日期及地點	Registered/ paid-in capital 註冊/ 實收資本	Effective interest held registered by the Group 本集團持有的 實際權益		Principal activities 主要業務
			2012年 2012	2013年 2013	
		USD 美元			
Ganxian Haode Highway Construction Co., Ltd. 贛縣豪德公路建設有限公司*	12 May 2008 The PRC 2008年5月12日 中國	7,750,000	N/A 不適用	N/A 不適用	Highway construction and operation 公路建設及營運

* The entity is a PRC limited liability company. The English translation of the company name is for reference only. The official name of the company is in Chinese.

* 該實體為中國的有限責任公司。公司名稱的英文翻譯僅供參考，該公司的官方名稱為中文。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

12 INTEREST IN A JOINT VENTURE (Cont'd)

Summary financial information on the joint venture

		Assets	Liabilities	Equity	Revenue	Profit/(loss) for the period
		資產	負債	權益	收益	期內利潤/ (虧損)
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 28 June 2012	於2012年6月28日					
60 per cent	60%					
Group's effective interest	集團的實際權益	65,033	36,648	28,385	1,549	(3,111)

On 28 June 2012, the Group disposed of its 60% equity interests in the joint venture to a related party owned by Mr. Wong Choihing and Mr. Wang Quanguang (certain of the controlling shareholders, see note i) for a consideration of USD4,650,000 (equivalent to RMB29,543,000). The total consideration was net off against the Group's liability to the Controlling Shareholders. For the purpose of these financial statements, the gain on disposal of the joint venture of RMB9,604,000 is regarded as capital contribution by the Controlling Shareholders in 2012.

- (i) Mr. Wong Choihing and Mr. Wang Quanguang together with Mr. Wang Dewen, Mr. Wang Jianli, Mr. Wang Desheng, Mr. Wang Dekai, Mr. Huang Dehong and Mr. Wong Sheungtak are the controlling shareholders of the Group ("the Controlling Shareholders").

12 於合營企業的權益(續)

有關合營企業的財務資料概要

於2012年6月28日，本集團將其於合營企業的60%股權出售予王再興先生及王全光先生(個別控股股東，見附註i)擁有的關聯方，對價為4,650,000美元(相當於人民幣29,543,000元)。總對價以本集團結欠控股股東的負債抵銷。就本財務報表而言，出售合營企業的收益人民幣9,604,000元被視為控股股東2012年所作注資。

- (i) 王再興先生、王全光先生、王德文先生、王健利先生、王德盛先生、王德開先生、黃德宏先生及王雙德先生為本集團的控股股東(「控股股東」)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

13 OTHER FINANCIAL ASSETS

(a) Other non-current financial assets

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Available-for-sale unlisted equity securities	可供出售非上市股本證券	23,618	19,800

(b) Available-for-sale investments

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Wealth management products	理財產品	120,000	—

At 31 December 2013, the available-for-sale investments represented short-term unlisted wealth management products issued by banks in the PRC.

As at 31 December 2013 and 2012, the directors considered that the Group's other financial assets were not impaired.

13 其他金融資產

(a) 其他非流動金融資產

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Available-for-sale unlisted equity securities	可供出售非上市股本證券	23,618	19,800

(b) 可供出售投資

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Wealth management products	理財產品	120,000	—

於2013年12月31日，可供出售投資指由中國內地銀行發行的短期非上市理財產品。

於2013及2012年12月31日，董事認為本集團的其他金融資產並無減值。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

14 合併財務狀況表內的所得稅

(a) 合併財務狀況表內的即期稅項指：

		The Group	
		本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current tax assets:	即期稅項資產：		
PRC CIT	中國企業所得稅	6,930	13,346
PRC LAT	中國土地增值稅	104,832	81,884
		111,762	95,230
Current tax liabilities:	即期稅項負債：		
PRC CIT	中國企業所得稅	455,594	221,517
PRC LAT	中國土地增值稅	477,388	4,176
		932,982	225,693

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(b) Deferred tax assets and liabilities recognised:

- (i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

		Temporary difference on advertising costs	Deferred income	Accrual expenditure	Withholding tax on distributable profits of PRC subsidiaries 中國子公司 可分派溢利 預扣稅	Total
	Tax losses	廣告費	遞延收入	應計開支	總計	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Deferred tax assets arising from:	以下各項產生的遞延稅項資產：					
At 1 January 2012	於2012年1月1日	2,033	6,544	38,493	452	47,522
Credited/(charged) to the consolidated statement of profit or loss	於合併損益表計入/(扣除)	(872)	70	75,527	—	74,725
At 31 December 2012	於2012年12月31日	1,161	6,614	114,020	452	122,247
At 1 January 2013	於2013年1月1日	1,161	6,614	114,020	452	122,247
Credited/(charged) to the consolidated statement of profit or loss	於合併損益表計入/(扣除)	9,304	(1,981)	84,795	(452)	28,628
At 31 December 2013	於2013年12月31日	10,465	4,633	198,815	—	150,875

14 合併財務狀況表內的所得稅(續)

(b) 已確認遞延稅項資產及負債：

- (i) 於合併財務狀況表確認的遞延稅項資產/(負債)的組成部分及年內的變動如下：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(b) Deferred tax assets and liabilities recognised: (Cont'd)

(ii) Reconciliation to the consolidated statement of financial position

14 合併財務狀況表內的所得稅(續)

(b) 已確認遞延稅項資產及負債：
(續)

(ii) 合併財務狀況表對賬

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Deferred tax assets recognised in the consolidated statement of financial position	於合併財務狀況表確認的 遞延稅項資產	213,913	122,247
Deferred tax liabilities recognised in the consolidated statement of financial position	於合併財務狀況表確認的 遞延稅項負債	(63,038)	—
		150,875	122,247

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of certain subsidiaries of RMB36,032,000 as at 31 December 2013 (2012: RMB1,371,000). The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries.

The unrecognised tax losses will expire by the end of the following years, if unused:

	The Group	
	本集團	
	2013	2012
	RMB'000	RMB'000
	人民幣千元	人民幣千元
2017	—	170
2018	84	1,201
2019	35,948	—

14 合併財務狀況表內的所得稅(續)

(c) 未確認遞延稅項資產

根據附註1(t)所載的會計政策，於2013年12月31日，本集團並未就若干子公司的累計稅項虧損人民幣36,032,000元(2012年：人民幣1,371,000元)確認遞延稅項資產。董事認為不大可能自該等子公司獲得可用於抵銷虧損的未來應課稅利潤。

倘未經使用，未確認的稅項虧損將於以下年份結束時屆滿：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(d) Deferred tax liabilities not recognised

The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Agreement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly.

Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2013, the aggregate amounts of undistributed profits of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax were approximately RMB995,334,000 (2012: RMB941,083,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that the profits will not be distributed in the foreseeable future.

14 合併財務狀況表內的所得稅(續)

(d) 未確認遞延稅項負債

中國企業所得稅法及其實施細則規定，自2008年1月1日起，中國居民企業以所賺取利潤向其非中國居民企業投資者分派股息須繳納10%的預扣稅，除非根據稅收協定或安排進行扣減。根據中港雙重徵稅安排，倘香港納稅居民為中國企業的「實益擁有人」並直接持有其25%或以上股權，則可享有5%的寬減預扣稅稅率。

由於本集團能控制本集團中國子公司派發利潤的數額及時間，故本集團僅在該等利潤預期將於可預見未來派發的情況下計提遞延稅項負債。

於2013年12月31日，本集團未計提相應股息預扣稅撥備的中國附屬公司之未分派利潤總額約為人民幣995,334,000元(2012年：人民幣941,083,000元)，因為本集團控制該等子公司的股息政策且已釐定可能不會於可預見未來分派溢利。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

15 INTERESTS IN SUBSIDIARIES

15 於子公司的權益

		The Company 本公司	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Unlisted investment, at cost	按成本計算的非上市投資	79	81
Amounts due from subsidiaries	應收子公司款項	833,847	859,640
		833,926	859,721

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are expected to be recovered after more than one year.

於子公司的結餘為無抵押、免息及無固定還款期。該等結餘預期於一年以後收回。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

15 INTERESTS IN SUBSIDIARIES (Cont'd)

The following list contains the particulars of principal subsidiaries of the Group at 31 December 2013. The class of shares held is ordinary unless otherwise stated.

15 於子公司的權益(續)

下表載列本集團於2013年12月31日的主要子公司的詳情。除非另有說明，否則所持有股份的類別為普通股。

Name of company 公司名稱	Date and place of incorporation and business 註冊成立日期 及地點以及 經營地點	Particulars of registered and paid up capital 註冊及 實收資本詳情	Proportion of ownership interest 所有權比例			Principal activities 主要業務
			Group's effective interest 本集團的 實際權益	Held by the Company 由本公司 持有	Held by a subsidiary 由一家 子公司持有	
Hongkong Hydoo Group Investment Company Limited 香港毅德集團投資有限公司	18 January 2002 Hong Kong 2002年1月18日 香港	HK\$10,000,000/ HK\$100,000 10,000,000 港元/ 100,000 港元	100%	100%	—	Investment management 投資管理
Hongkong Hydoo Holding Limited 香港毅德控股有限公司	25 March 2013 Hong Kong 2013年3月25日 香港	HK\$10,000,000/ HK\$Nil 10,000,000 港元/ 零港元	100%	100%	—	Investment management 投資管理
Hydoo Estate (Ganzhou) Company Limited 毅德置業(贛州)有限公司*	16 July 2002 The PRC 2002年7月16日 中國	USD22,050,000/ USD22,050,000 22,050,000 美元/ 22,050,000 美元	100%	—	100%	Property development and investment holding 物業開發 及投資控股
Ningxiang Hydoo Guangcai Trade Center Development Company Limited ("Ningxiang Property Development") 寧鄉毅德光彩貿易廣場 開發有限公司* (「寧鄉物業開發」)	6 August 2009 The PRC 2009年8月6日 中國	RMB60,000,000/ RMB60,000,000 人民幣 60,000,000 元/ 人民幣 60,000,000 元	100%	—	100%	Property development 物業開發

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

15 INTERESTS IN SUBSIDIARIES (Cont'd)

15 於子公司的權益(續)

Name of company C	Date and place of incorporation and business 註冊成立日期 及地點以及 經營地點	Particulars of registered and paid up capital 註冊及 實收資本詳情	Proportion of ownership interest 所有權比例			Principal activities 主要業務
			Group's effective interest 本集團的 實際權益	Held by the Company 由本公司 持有	Held by a subsidiary 由一家 子公司持有	
Jining Hydoe Modern Industrial Company Limited 濟寧毅德現代實業有限公司*	13 January 2010 The PRC 2010年1月13日 中國	RMB30,000,000/ RMB30,000,000 人民幣30,000,000元/ 人民幣30,000,000元	100%	—	100%	Property development 物業開發
Jining Hydoe Logistics Center Development Company Limited 濟寧毅德物流城開發 有限公司*	2 February 2010 The PRC 2010年2月2日 中國	RMB200,000,000/ RMB200,000,000 人民幣200,000,000元/ 人民幣200,000,000元	100%	—	100%	Property development 物業開發
Mianyang West Modern Trade Center Development Company Limited 綿陽西部現代物流城 開發有限公司*	20 December 2010 The PRC 2010年12月20日 中國	RMB200,000,000/ RMB200,000,000 人民幣200,000,000元/ 人民幣200,000,000元	100%	—	100%	Property development 物業開發
Guangxi Yulin Modern Trade Center Development Company Limited 廣西玉林現代物流城 開發有限公司*	22 March 2011 The PRC 2011年3月22日 中國	RMB220,000,000/ RMB220,000,000 人民幣220,000,000元/ 人民幣220,000,000元	100%	—	100%	Property development 物業開發
Ningxiang Hydoe Guangcai Trade Center Property Services Company Limited 寧鄉毅德光彩貿易廣場 物業服務有限公司*	15 April 2011 The PRC 2011年4月15日 中國	RMB3,000,000/ RMB3,000,000 人民幣3,000,000元/ 人民幣3,000,000元	100%	—	100%	Property management services 物業管理服務

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

15 INTERESTS IN SUBSIDIARIES (Cont'd)

15 於子公司的權益(續)

Name of company 公司名稱	Date and place of incorporation and business 註冊成立日期 及地點以及 經營地點	Particulars of registered and paid up capital 註冊及 實收資本詳情	Proportion of ownership interest 所有權比例		Principal activities 主要業務	
			Group's effective interest 本集團的 實際權益	Held by the Company 由本公司 持有		Held by a subsidiary 由一家 子公司持有
Jining Hydoo Modern Logistics Company Limited 濟寧毅德現代物流有限公司*	2 September 2011 The PRC 2011年9月2日 中國	USD99,000,000/ USD99,000,000 99,000,000美元/ 99,000,000美元	100%	—	100%	Property management services 物業管理服務
Shenzhen Hydoo Investment Management Company Limited 深圳市毅德投資管理有限公司*	27 October 2011 The PRC 2011年10月27日 中國	RMB30,000,000/ RMB30,000,000 人民幣30,000,000元/ 人民幣30,000,000元	100%	—	100%	Investment management 投資管理
Yulin Hydoo Property Management Services Co., Ltd. 玉林毅德物業管理 服務有限公司*	4 January 2012 The PRC 2012年1月4日 中國	RMB1,000,000/ RMB1,000,000 人民幣1,000,000元/ 人民幣1,000,000元	100%	—	100%	Property management services 物業管理服務
Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("Ganzhou Trade Center") 贛州毅德商貿物流園開發 有限公司*(「贛州商貿物流中心」)	5 March 2012 The PRC 2012年3月5日 中國	RMB800,000,000/ RMB800,000,000 人民幣800,000,000元/ 人民幣800,000,000元	100%	—	100%	Property development 物業開發
Wuzhou Hydoo Commercial and Trade Center Development Co., Ltd. 梧州毅德商貿物流城 開發有限公司*	4 May 2012 The PRC 2012年5月4日 中國	RMB300,000,000/ RMB300,000,000 人民幣300,000,000元/ 人民幣300,000,000元	100%	—	100%	Property development 物業開發

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

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15 INTERESTS IN SUBSIDIARIES (Cont'd)

15 於子公司的權益(續)

Name of company 公司名稱	Date and place of incorporation and business 註冊成立日期 及地點以及 經營地點	Particulars of registered and paid up capital 註冊及 實收資本詳情	Proportion of ownership interest 所有權比例		Principal activities 主要業務	
			Group's effective interest 本集團的 實際權益	Held by the Company 由本公司 持有		Held by a subsidiary 由一家 子公司持有
Mianyang Hydoo Property Services Company Limited 綿陽毅德物業服務有限公司*	10 July 2012 The PRC 2012年7月10日 中國	RMB1,000,000/ RMB1,000,000 人民幣1,000,000元/ 人民幣1,000,000元	100%	—	100%	Property management services 物業管理服務
Yantai Hydoo Commercial Trade Company Limited 煙台毅德商貿有限公司*	12 December 2013 The PRC 2013年12月12日 中國	USD6,000,000/ USD6,000,000 6,000,000美元/ 6,000,000美元	100%	—	100%	Trading of Building Related Materials 銷售建築 相關材料
Jining Hydoo Commercial Operation and Management Company Limited 濟寧毅德商業運營管理 有限公司	12 November 2012 The PRC 2012年11月12日 中國	RMB2,000,000/ RMB2,000,000 人民幣2,000,000元/ 人民幣2,000,000元	100%	—	100%	Property management services 物業管理服務
Xingning Hydoo Commercial and Trade Center Company Limited 興寧毅德商貿物流城有限公司*	27 December 2012 The PRC 2012年12月27日 中國	RMB200,000,000/ RMB60,000,000 人民幣200,000,000元/ 人民幣60,000,000元	80%	—	80%	Property development 物業開發
Ganzhou Hydoo Property Services Company Limited 贛州毅德物業服務有限公司*	6 March 2013 The PRC 2013年3月6日 中國	RMB3,000,000/ RMB3,000,000 人民幣3,000,000元/ 人民幣3,000,000元	100%	—	100%	Property management services 物業管理服務

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

15 INTERESTS IN SUBSIDIARIES (Cont'd)

15 於子公司的權益(續)

Name of company 公司名稱	Date and place of incorporation and business 註冊成立日期 及地點以及 經營地點	Particulars of registered and paid up capital 註冊及 實收資本詳情	Group's effective interest 本集團的 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 由本公司 持有	Held by a subsidiary 由一家 子公司持有	
Yantai Hydoo International Commercial and Trade Center Company Limited 煙台毅德國際商貿城有限公司*	26 March 2013 The PRC 2013年3月26日 中國	RMB183,000,000/ RMB183,000,000 人民幣183,000,000元/ 人民幣183,000,000元	100%	—	100%	Property development 物業開發
Lanzhou Hydoo Commercial and Trade Center Company Limited 蘭州毅德商貿城有限公司*	20 May 2013 The PRC 2013年5月20日 中國	RMB300,000,000/ RMB300,000,000 人民幣300,000,000元/ 人民幣300,000,000元	100%	—	100%	Property development 物業開發
Ganzhou Hydoo Commercial and Operation Management Company Limited 贛州毅德商業營運管理 有限公司*	30 May 2013 The PRC 2013年5月30日 中國	USD50,000,000/ USD30,000,000 50,000,000美元/ 30,000,000美元	100%	—	100%	Property management services 物業管理服務
Ganzhou Jiuzhi Property Management Services Company Limited ("Ganzhou Jiuzhi") 贛州市久治物業管理有限公司* (「贛州市久治」)	1 March 2002 The PRC 2002年3月1日 中國	RMB5,200,000/ RMB5,200,000 人民幣5,200,000元/ 人民幣5,200,000元	51%	—	51%	Property management services 物業管理服務
Heze Hydoo Commercial and Trade Center Company Limited 菏澤毅德商貿物流城 有限公司*	28 September 2012 The PRC 2012年9月28日 中國	RMB300,000,000/ RMB300,000,000 人民幣300,000,000元/ 人民幣300,000,000元	100%	—	100%	Property development 物業開發

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

The directors consider that no individual non-controlling interest is considered material to the Group as at 31 December 2013 and 2012.

* 該等實體均為中國的有限責任公司。公司名稱的英文翻譯僅供參考。該等公司的官方名稱為中文。

於2013及2012年12月31日，董事認為，概無附屬公司個別地擁有對本集團屬重大的非控股權益。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

16 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Property development	物業開發		
Properties under development for sale	待售在建物業	2,043,265	1,369,488
Completed properties held for sale	待售已完工物業	1,852,241	872,558
Properties held for future development for sale	待售未來待開發物業	1,495,128	1,061,386
		5,390,634	3,303,432
Others	其他		
Low-value consumption goods	低值易耗品	192	114
		5,390,826	3,303,546

As at 31 December 2013, certain properties under development for sale and completed properties held for sale, properties held for future development for sale were pledged for certain bank loans granted to the Group (note 23).

During the year, the directors considered that all of the above properties were developed for sale, and none of them were specifically designated for earning rental or for capital appreciation or both. Accordingly, none of the properties were classified as investment properties at the end of each of the reporting period.

16 存貨

(a) 合併財務狀況表內的存貨包括：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Property development	物業開發		
Properties under development for sale	待售在建物業	2,043,265	1,369,488
Completed properties held for sale	待售已完工物業	1,852,241	872,558
Properties held for future development for sale	待售未來待開發物業	1,495,128	1,061,386
		5,390,634	3,303,432
Others	其他		
Low-value consumption goods	低值易耗品	192	114
		5,390,826	3,303,546

於2013年12月31日，若干待售在建物業、待售已完工物業及待售未來待開發物業用作本集團獲授若干銀行貸款的抵押(附註23)。

年內，董事認為上述所有物業均為開發作出售，概無物業特別指定為賺取租金或資本增值或兩者兼備。因此，概無物業於各報告期末分類為投資物業。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

16 INVENTORIES (Cont'd)

- (b) Properties under development for sale in the consolidated statement of financial position comprise:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	852,921	1,012,947
Expected to be recovered after more than one year	預期於一年以後收回	1,190,344	356,541
		2,043,265	1,369,488

- (c) Completed properties held for sale in the consolidated statements of financial position comprise:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	1,262,194	628,117
Expected to be recovered after more than one year	預期於一年以後收回	590,047	244,441
		1,852,241	872,558

- (d) Properties held for future development for sale in the consolidated statement of financial position comprise:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered after more than one year	預期於一年以後收回	1,495,128	1,061,386

16 存貨(續)

- (b) 合併財務狀況表內的待售在建物業包括：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	852,921	1,012,947
Expected to be recovered after more than one year	預期於一年以後收回	1,190,344	356,541
		2,043,265	1,369,488

- (c) 合併財務狀況表內的待售已完工物業包括：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	1,262,194	628,117
Expected to be recovered after more than one year	預期於一年以後收回	590,047	244,441
		1,852,241	872,558

- (d) 合併財務狀況表內持作未來發展的物業包括：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered after more than one year	預期於一年以後收回	1,495,128	1,061,386

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

16 INVENTORIES (Cont'd)

- (e) The analysis of carrying value of leasehold land included in properties under development for sale is as follows:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
In the PRC, with lease term of 40 years or more:	在中國，租期在40年或以上：	869,979	875,408

16 存貨(續)

- (e) 計入待售在建物業的租賃土地的賬面值分析如下：

17 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

		The Group 本集團		The Company 本公司	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Trade and bills receivables	貿易應收款項及應收票據	12,893	66,102	—	—
Prepaid business tax and other taxes	預付營業稅及其他稅項	124,883	53,754	—	—
Deposits, prepayments and other receivables	定金、預付款項及其他應收款項	545,165	788,721	1,278,062	1,790
Security deposit with a PRC financial institution (note i)	存放於中國金融機構的保證金(附註i)	—	40,000	—	—
		682,941	948,577	1,278,062	1,790

17 貿易及其他應收款項、預付款項及定金

Note (i) In relation to a trust loan provided by a PRC financial institutional, namely Ping An Trust Co., Ltd ("Ping An Trust") to the Group, Jining Hydoe Modern Logistics Company Limited ("Jining Hydoe Modern Logistics"), a wholly-owned subsidiary of the Group, is required to place a security deposit with Ping An Trust. According to the relevant agreement, the required level of security deposit would progressively increase from RMB10,000,000 to RMB600,000,000 over the term of the corresponding trust loan. As of 31 December 2012 and 2013, the balance of security deposit amounted to RMB40,000,000 and RMB nil respectively. The trust loan was settled in June 2013.

附註(i)：就中國金融機構平安信託有限責任公司（「平安信託」）向本集團提供的信託貸款而言，本集團的全資子公司濟寧毅德現代物流有限公司（「濟寧毅德現代物流」）須於平安信託存放保證金。根據有關協議，保證金水平須於相應信託貸款期限內由人民幣10,000,000元逐漸增至人民幣600,000,000元。截至2012年及2013年12月31日，保證金結餘分別為人民幣40,000,000元及人民幣零元。該信託貸款於2013年6月結清。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

17 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(Cont'd)

(a) Ageing analysis

As at the end of each reporting period, the ageing analysis of trade and bills receivables (net of allowance for doubtful debts) by due date is as follows:

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current	即期	12,795	66,102
Within 6 months	6個月內	98	-
Trade and bills receivables, net of allowance for doubtful debts	貿易應收款項及應收票據 減呆賬撥備	12,893	66,102

The details on the Group's credit policy are set out in note 31(a).

The directors are of the view that all trade and bills receivables are neither individually nor collectively considered to be impaired as at 31 December 2013.

Trade and bills receivables are primarily related to proceeds from the sales of properties. Proceeds from the sales of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding sale and purchase agreements. If payment is made in lump-sum payment, settlement is normally required by date of signing the sales contract. If payment is made in instalments, 50% of the purchase price is required upon executing the contract with the balance payable by date of signing the contract.

17 貿易及其他應收款項、預付款項及定

金(續)

(a) 賬齡分析

於每個報告期末，按到期日劃分的貿易應收款項及應收票據(扣除呆賬撥備)的賬齡分析如下：

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current	即期	12,795	66,102
Within 6 months	6個月內	98	-
Trade and bills receivables, net of allowance for doubtful debts	貿易應收款項及應收票據 減呆賬撥備	12,893	66,102

本集團的信貸政策的詳情載於附註31(a)。

董事認為，所有貿易應收款項及應收票據於2013年12月31日既無個別亦無共同被視為減值。

貿易應收款項及應收票據主要與物業銷售所得款項有關。物業銷售所得款項是根據相應買賣協議條款一次性支付或分期支付。倘一次性付款，通常須於簽訂銷售合約當日予以結算。倘分期付款，則訂立合約時須支付購買價的50%，且於簽署合約當日確立應支付餘下款項的義務。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

18 AMOUNTS DUE FROM RELATED PARTIES

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Amounts due from the Controlling Shareholders	應收控股股東款項	—	796

19 RESTRICTED CASH

At 31 December 2013 and 2012, the restricted cash were pledged to banks for certain mortgage facilities granted to purchasers of the Group properties.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

18 應收關聯方款項

19 受限制現金

於2013及2012年12月31日，受限制現金已就授予本集團物業買方的若干按揭融資抵押予銀行。

20 現金及現金等值物

現金及現金等值物包括：

		The Group 本集團		The Company 本公司	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Cash at bank and in hand	銀行存款及現金	4,292,994	584,379	15	7,439

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

21 CASH GENERATED FROM/(USED IN) OPERATIONS

Reconciliation of profit before taxation to cash generated from/(used in) operations:

21 經營業務所得/(所用)現金

除稅前利潤與經營業務所得/(所用)現金的對賬：

		Note	2013	2012
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Profit before taxation	除稅前利潤		2,324,859	460,282
Adjustments for:	就下列項目調整：			
Depreciation	折舊	5(c)	16,240	8,199
Amortisation	攤銷	5(c)	121	21
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	4	—	5
Finance income	財務收入	5(a)	(11,079)	(1,374)
Finance costs	融資成本	5(a)	70,183	73,241
Share of loss of a joint venture	應佔合營企業的虧損	12	—	3,111
Gain on disposal of a subsidiary before tax	出售子公司的稅前收益	29(a)	—	(306,551)
Change in fair value of embedded derivative on redeemable convertible preference shares	可贖回可換股優先股嵌入式衍生工具的公允價值變動		103,271	292,348
Equity settled share-based payments	以權益結算以股份為基礎的付款	5(b)	5,707	6,109
Net gains on disposal of available-for-sale investments	出售可供出售投資收益淨額	4	(14,562)	—
Dividend income	股息收入	4	(4,019)	—
			2,490,721	535,391
Changes in working capital:	營運資金變動：			
Change in inventories	存貨變動		(1,979,272)	(1,815,647)
Increase in trade and other receivables, prepayments and deposits	貿易及其他應收款項、預付款項及定金增加		(12,506)	(247,674)
Change in restricted cash	受限制現金變動		(80,589)	(2,773)
Change in trade and other payables	貿易及其他應付款項變動		2,134,200	306,205
Change in deferred income	遞延收入變動		339,342	305,093
Cash generated from/(used in) operations	經營業務所得/(所用)現金		2,891,896	(919,405)

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

22 TRADE AND OTHER PAYABLES

22 貿易及其他應付款項

		The Group 本集團		The Company 本公司	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Trade payables (note i)	應付貿易款項(附註i)	1,267,036	786,860	—	—
Receipts in advance (note ii)	預收款項(附註ii)	2,376,504	750,918	—	—
Other payables and accruals (note iii)	其他應付及應計款項 (附註iii)	184,564	154,637	4,596	4,570
Special dividend (note iv)	特別股息(附註iv)	—	20,205	—	20,205
		3,828,104	1,712,620	4,596	24,775

Notes:

- (i) Included in trade and other payables are trade creditors with the following ageing analysis as at the end of the reporting period:

附註：

- (i) 於報告期末，貿易及其他應付款項包括應付賬款，其賬齡分析如下：

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Due within 1 month or on demand	於1個月內到期或按要求償還	467,596	224,490
Due after 1 month but within 3 months	於1個月後但於3個月內到期	132,982	222,359
Due after 3 months but within 6 months	於3個月後但於6個月內到期	599,780	199,670
Due after 6 months	於6個月後到期	66,678	140,341
		1,267,036	786,860

Trade payables mainly represent amounts due to contractors. Payment to contractors is in installments according to progress and agreed milestones. The Group normally retains 2% to 10% as retention payment.

應付貿易款項主要指應付承建商款項。本集團根據進度及工程重要節點向承建商分期付款。本集團一般保留2%至10%相關款項作為保證金。

At 31 December 2013, included in trade payables are retention payables of RMB28,847,000 (2012: RMB27,106,000), which are expected to be settled after more than one year.

於2013年12月31日，計入應付貿易款項的應付保證金為人民幣28,847,000元（2012年：人民幣27,106,000元），預期於一年後結算。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

22 TRADE AND OTHER PAYABLES (Cont'd)

Notes: (Cont'd)

- (ii) Receipts in advance primarily consisted of deposits and down payments from customers for purchases of the Group's properties. Such proceeds were recorded as current liabilities before the associated sales were recognised. Sales of properties is subsequently recognised to the profit or loss in accordance with the Group's accounting policy as set out in note 1(v)(i).
- (iii) At 31 December 2013, included in other payables and accruals are deposits of RMB23,962,000 (2012: RMB14,769,000), which are expected to be settled after more than one year. All of the other payables and accrued expenses are expected to be settled within one year.
- (iv) Pursuant to the Investment Agreement with between Ping An Hawking China Opportunity Fund ILP ("Ping An Fund") and the Company, the Company is obliged to pay Ping An Fund a special dividend fixed at 14% of its subscription amount or HK\$24,920,000 (equivalent to approximately RMB20,205,000) if non-occurrence of a qualified IPO within one year after the settlement date. At 31 December 2012, the amount was treated as a financial liability. Upon completion of the qualified IPO on 31 October 2013, the amount is reclassified to the capital reserve accordingly.

22 貿易及其他應付款項(續)

附註：(續)

- (ii) 預收款項主要包括來自購買本集團物業的客戶的定金及分期付款項。該等所得款項是於相關銷售獲確認前入賬為流動負債。物業銷售隨後根據附註1(v)(i)所載本集團的會計政策於損益確認。
- (iii) 於2013年12月31日，計入其他應付款項及應計款項的定金為人民幣23,962,000元（2012年：人民幣14,769,000元），該等款項預期將於一年後結算。所有其他應付款項及應計開支預期將於一年內結算。
- (iv) 根據Ping An Hawking China Opportunity Fund ILP（「Ping An Fund」）與本公司簽訂的投資協議，倘於結算日後一年內並未發生合資格首次公開售股，則本公司有責任向Ping An Fund支付特別股息，股息金額按認購金額的14%或24,920,000港元（相當於約人民幣20,205,000元）釐定。於2012年12月31日，該筆金額已視為金融負債。於2013年10月31日完成合資格首次公開售股後，該筆金額已重新分類到資本儲備。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

23 BANK LOANS AND OTHER BORROWINGS

At 31 December 2013, the Group's bank loans and other borrowings were repayable as follows:

23 銀行貸款及其他借貸

於2013年12月31日，本集團的銀行貸款及其他借貸的償還情況如下：

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current	流動		
Secured	有抵押		
– short term bank loans and other borrowings	– 短期銀行貸款及其他借貸	70,000	630,000
– current portion of secured non-current bank loans and other borrowings	– 有抵押非流動銀行貸款及其他借貸的流動部分	183,860	43,000
Unsecured	無抵押		
– short term bank loans	– 短期銀行貸款	28,000	16,000
		281,860	689,000
Non-current	非流動		
Repayable after 1 year but within 2 years - secured	一年後但兩年內還款 – 有抵押	181,000	—
Repayable after 2 years but within 5 years - secured	兩年後但五年內還款 – 有抵押	421,000	60,000
		602,000	60,000
		883,860	749,000

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

23 BANK LOANS AND OTHER BORROWINGS (Cont'd)

- (i) Certain banking facilities and borrowings of the Group are subject to the fulfillment of covenants relating to: (1) certain of the Group's operating subsidiaries' statement of financial position ratios; (2) restriction of profit distribution by certain of its operating subsidiaries; or (3) early repayment of principal to be triggered when 70% of the gross sellable area for the underlying property project are sold. These requirements are commonly found in lending arrangements with financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders as and when the directors foresee any non-compliance due to business needs.
- (ii) At 31 December 2013, a bank loan of the Group totaling RMB130,200,000 (2012: nil) was not in compliance with the imposed covenants. Such non-compliance primarily relates to an operating subsidiary which failed to achieve certain statement of financial position ratio at the end of the reporting period. The directors of the Company are of the view that such bank loan is a non-current liability at 31 December 2013. Such view was based on a notice from the corresponding financial institution dated 31 December 2013, which confirmed that the subsidiary would not be regarded as having breached the covenant and the bank would not demand early repayment from the subsidiary.

23 銀行貸款及其他借貸(續)

- (i) 本集團的若干銀行融資及借貸須待有關下列各項的契諾達成後，方會作實：(1)本集團若干營運附屬公司的財務狀況比率報表；(2)按其若干營運附屬公司劃分的溢利分派限制；或(3)當相關物業項目的可售總面積的70%被出售時將激發的提前償還的本金額。該等規定常見於與金融機構訂立的貸款安排。倘本集團違反有關契諾，則已提取的融資將需按貸款人要求隨時償還。本集團定期監控其遵守該等契諾的情況；且當董事預期由於業務需求導致無法遵守時，本集團會與貸款人溝通。
- (ii) 於2013年12月31日，本集團的銀行貸款合共人民幣130,200,000元（2012年：零）未遵守所施加的契諾。該未遵守情況主要與一間未於報告期末實現若干財務狀況比率報表的營運附屬公司有關。本公司董事認為，於2013年12月31日，有關銀行貸款為非流動負債。該意見乃基於相應金融機構於2013年12月31日刊發的通告作出，該通告確認該附屬公司不會被視為違反契諾及該銀行不會要求該附屬公司提前還款。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

23 BANK LOANS AND OTHER BORROWINGS (Cont'd)

At 31 December 2013, the bank loans and other borrowings were analysed as follows:

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Secured bank loans and other borrowings	有抵押銀行貸款及其他借貸	855,860	733,000
Unsecured bank loans	無抵押銀行貸款	28,000	16,000
		883,860	749,000

At 31 December 2013, certain secured bank loans of the Group totaling RMB168,660,000 (2012: RMB60,000,000) were guaranteed by a subsidiary of the Group and a third party company.

As at 31 December 2013, the bank loans and borrowings from other financial institutions are all denominated in functional currency of respective subsidiaries now comprising the Group.

Further details of the Group's management of liquidity risk are set out in note 31(b).

Bank loans and other borrowings bear interest ranging from 6.40% to 17.00% per annum for the year ended 31 December 2013 (2012: 6.65% – 17.00% per annum), and are secured by the following assets:

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Properties under development for sale	待售在建物業	722,620	1,076,983
Completed properties held for sale	待售已完工物業	460,535	120,075
Properties held for future development for sale	待售未來待開發物業	133,360	—
		1,316,515	1,197,058

23 銀行貸款及其他借貸(續)

於2013年12月31日，銀行貸款及其他借貸分析如下：

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Secured bank loans and other borrowings	有抵押銀行貸款及其他借貸	855,860	733,000
Unsecured bank loans	無抵押銀行貸款	28,000	16,000
		883,860	749,000

於2013年12月31日，本集團合共為人民幣168,660,000元(2012年：人民幣60,000,000元)的若干有抵押銀行貸款由本集團子公司及一間第三方公司共同提供擔保。

於2013年12月31日，銀行貸款及其他金融機構借貸均以本集團現時旗下各子公司的功能貨幣計值。

本集團管理層的流動資金風險的進一步詳情載於附註31(b)。

於截至2013年12月31日止年度，銀行貸款及其他借貸分別按介乎6.40%至17.00%的年利率(2012年：6.65%至17.00%)計息，並以下列資產作抵押：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

24 AMOUNTS DUE TO RELATED PARTIES

24 應付關聯方款項

		The Group 本集團		The Company 本公司	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Amounts due to subsidiaries	應付子公司款項	—	—	—	4,526
Amounts due to the Controlling Shareholders	應付控股股東款項	—	228	—	228
Amounts due to other related parties	應付其他關聯方款項	—	1,000	—	—
		—	1,228	—	4,754

Amount due to related parties are unsecured, interest free and have no fixed term of repayment.

應付關聯方款項為無抵押、免息及無固定還款期。

25 DEFERRED INCOME

25 遞延收入

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
At 1 January	於1月1日	524,583	219,490
Movement during the year	年內變動		
– Government grants recognised (note i)	– 已確認政府補助 (附註 i)	957,753	586,939
– Deferred revenue in relation to sale and operating leaseback arrangement (note ii)	– 有關銷售及經營售後租回的遞延收益 (附註 ii)	2,527	3,316
– Amortisation of government grants during the year	– 年內政府補助攤銷	(620,938)	(285,162)
		863,925	524,583
Less: amount included under current liabilities	減：計入流動負債的金額	(858,082)	(521,267)
Amount included under non-current liabilities	計入非流動負債的金額	5,843	3,316

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

25 DEFERRED INCOME (Cont'd)

Notes:

- (i) Pursuant to the respective agreements between the Group and local governments, such grants are for subsidising the infrastructure construction of certain project undertaken by some of the Group's subsidiaries, namely Ningxiang Property Development, Guangxi Yulin Modern Trade Center Development Company Limited, Jining Hydo Logistics Center Development Company Limited, Mianyang West Modern Trade Center Development Company Limited, Ganzhou Hydo Commercial and Trade Logistics Park Development Company Limited, Wuzhou Hydo Commercial and Trade Center Development Company Limited, Yantai Hydo International Commercial and Trade Center Company Limited and Heze Hydo Commercial and Trade Center Company Limited. During the year ended 31 December 2013, the Group further recognised RMB957,753,000 (2012: RMB586,939,000) from certain governments for the Group's projects.
- (ii) In conjunction with certain sale contracts entered into by Jining Hydo Logistics Center Development Company Limited for sales of properties, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for terms of 3 to 10 years at agreed rental rates. Upon recognition of the sales of such properties, a portion of the sales proceeds, which represent the excess of sales price over fair value of such properties, is deferred and amortised over the respective lease terms. For the year ended 31 December 2013, the deferred revenue arising from such sales and leaseback arrangements amounted to RMB2,527,000 (2012: RMB3,316,000). The revenue (net of business tax and surcharge) recognised from sales of such properties amounted to RMB25,875,000 (2012: RMB59,632,000).

25 遞延收入(續)

附註：

- (i) 根據本集團與當地政府簽訂的有關協議，該等補助是為補貼本集團若干子公司（即寧鄉物業開發、廣西玉林現代物流城開發有限公司、濟寧毅德物流城開發有限公司、綿陽西部現代物流城開發有限公司、贛州毅德商貿物流園開發有限公司、梧州毅德商貿物流城開發有限公司、煙台毅德國際商貿城有限公司及菏澤毅德商貿物流城有限公司）所承建若干項目的基礎設施建設。截至2013年12月31日止年度，本集團就其項目已確認的相關政府部門補助為人民幣957,753,000元（2012年：人民幣586,939,000元）。
- (ii) 基於濟寧毅德物流城開發有限公司簽訂的若干物業銷售合同，本集團隨後按照協定的租金以經營租賃方式自有關買方租回若干已售出物業，租期為3至10年。該等物業確認出售后，其售價超出公允價值部分的款項已遞延並於相關租期攤銷。截至2013年12月31日止年度，自該出售及售後租回安排產生的遞延收益為人民幣2,527,000元（2012年：人民幣3,316,000元）。出售該等物業的已確認收益（扣除營業稅及附加費）為人民幣25,875,000元（2012年：人民幣59,632,000元）。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

26 REDEEMABLE CONVERTIBLE PREFERENCE SHARES

26 可贖回可換股優先股

		Carrying value	Fair value
		賬面值	公允值
		RMB'000	RMB'000
		人民幣千元	人民幣千元
At 31 December 2012:	於2012年12月31日：		
Redeemable convertible preference shares	可贖回可換股優先股	581,412	608,524
Embedded derivative liabilities on redeemable convertible preference shares	可贖回可換股優先股的嵌入式 衍生工具負債	292,502	292,502
		873,914	901,026
At 31 October 2013:	於2013年10月31日：		
Redeemable convertible preference shares	可贖回可換股優先股	633,683	633,683
Embedded derivative liabilities on redeemable convertible preference shares	可贖回可換股優先股的嵌入式 衍生工具負債	388,333	388,333
		1,022,016	1,022,016
Automatic conversion of preference shares upon completion of the Global Offering (notes (iii) and (v))	全球發售完成時自動轉換 優先股 (附註(iii)及(v))	(1,022,016)	(1,022,016)
At 31 December 2013:	於2013年12月31日：	—	—

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

26 REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Cont'd)

Pursuant to a share purchase agreement entered into between the Company, Most Trend Holding Limited, a company owned by the Controlling Shareholders, and an independent third party, Top Amuse Holdings Limited (“Top Amuse” or the “Preferred Shareholder”), the Company issued 12,500 redeemable convertible preference shares (the “Preference Shares”) to Top Amuse for an aggregate purchase price of USD80.0 million on 5 July 2011.

The Preference Shares have the same voting rights as the ordinary shares and contain the following terms:

(i) Dividend rights

The holder of the Preference Shares is entitled to receive dividends, out of any funds legally available therefore, prior and in preference to any declaration or payment of any dividend on the ordinary shares. Such dividends shall accrue when, as and if declared by the board of the Company, and any declared but unpaid dividend shall be cumulative and non-compounding.

(ii) Conversion of Preference Shares and Cash redemption option

Each Preference Share shall be convertible, at the option of the holder thereof at any time, into such number of fully paid and non-assessable ordinary shares as is determined by dividing the subscription price by the then effective conversion price, which shall be calculated after adjustments of certain events.

At any time after the third anniversary date of issuance date of the Preference Shares, the Preferred Shareholder shall have the right to require the Company to redeem all or part of such outstanding Preference Shares at a redemption price equal to the proportionate purchase price per Preference Share plus an amount which would enable such Preferred Shareholder to achieve the annual return rate at 12%.

26 可贖回可換股優先股(續)

根據本公司、至毅控股有限公司(由控股股東擁有的公司)及一名獨立第三方悅峰控股有限公司(「悅峰」或「優先股股東」)簽訂的購股協議，本公司於2011年7月5日向悅峰發行12,500股可贖回可換股優先股(「優先股」)，總購買價為8,000萬美元。

優先股與普通股擁有同等投票權，並包含以下條款：

(i) 股息權

優先股持有人有權自合法可供分派的任何資金中收取股息，因此，向普通股宣派或派付任何股息之前享有優先權。該等股息於本公司董事會宣派時產生，而已宣派但未派付的任何股息將累計但不計複利。

(ii) 優先股的轉換及現金贖回選擇權

每股優先股將於其持有人選擇時可轉換為繳足及不加繳股份，而有關數目通過認購價除以當時實際換股價釐定，而實際換股價將於調整若干事件後計算。

於優先股發行日期第三個周年日後任何時間，優先股股東將有權要求本公司按等同於每股優先股比例購買價的贖回價加上令優先股股東可收取12%年度回報的金額，贖回全部或部分已發行優先股。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

26 REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Cont'd)

(iii) Automatic conversion feature

Each Preference Share shall be automatically converted by way of redemption of such Preference Shares and the issue fully paid of the ordinary shares at the conversion price at the time in effect immediately upon the earlier of (i) the consummation of a Qualified IPO, (ii) immediately prior to the closing of an acquisition by, merger or other combination with another entity where the Company is not the surviving entity where such surviving entity is listed on an internationally recognised stock exchange, or (iii) the date specified by written consent or agreement of the Preferred Shareholder.

- (iv) The Preference Shares were recognised as an interest-bearing borrowing in accordance with the Group's accounting policy when the Preference Shares were issued. Subsequently, the Preference shares were stated at amortised cost.

The embedded derivative of the Preference Shares is measured at the end of each reporting period to the fair value. Such remeasurements are shown as part of finance costs in profit or loss.

- (v) Upon completion of the Global Offering on 31 October 2013, the Preference Shares were automatically converted to equity. The fair value of the embedded derivative is measured based on the Option-Pricing Method and Convertible Bond Model.

26 可贖回可換股優先股(續)

(iii) 自動轉換特性

每股優先股將以贖回優先股及發行繳足普通股的方式於緊隨以下各項較早發生者後立即自動轉換：(i) 完成合資格首次公開售股；(ii) 緊接以兼併或與另一實體合併的方式收購交割前，而本公司並非存續實體且有關係存續實體是於國際認可的證券交易所上市；或(iii) 優先股股東書面同意或協議指定的日期。

- (iv) 優先股獲發行時根據本集團的會計政策確認為計息借貸。其後，優先股按攤銷成本列賬。

優先股的嵌入式衍生工具於各報告期末按公允值計量。有關計量於損益呈列為融資成本的一部分。

- (v) 於2013年10月31日全球發售結束後，優先股已自動轉換為股權。嵌入式衍生工具的公允值是根據期權定價模式及可換股債券模式計量。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

27 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$25,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans ranging from 10% to 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member’s retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

27 僱員退休福利

定額供款退休計劃

本集團按照香港強制性公積金計劃條例的規定為根據香港僱傭條例管轄範圍受僱的僱員設立一項強制性公積金計劃（「強積金計劃」）。強積金計劃是由獨立信託人管理的定額供款退休計劃。根據強積金計劃，僱主及僱員均須按照僱員相關收入的5%向計劃供款，惟每月相關收入上限為25,000港元。此計劃的供款即時歸屬。

中國法規規定，本集團須為其僱員參與省市級政府所組織的各種定額供款退休計劃。本集團須按僱員工資、花紅及若干津貼的10%至20%向退休計劃供款。參加計劃的員工有權獲得相當於按其退休時工資的固定比率計算的退休金。除上述年度供款外，本集團毋須就與此等計劃相關的退休金福利承擔其他重大付款責任。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme (the "Pre-IPO Share Option Scheme"), which was first adopted on 30 November 2011, whereby the directors of the Company were authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. Additional options were further granted to certain employees of the Group on 16 October 2012 and 20 March 2013 respectively. After such grants, a total number of 1,715 share options were granted to employees. Each option gives the holder the right to subscribe for 1 ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

		Number of instruments 工具數目	Contractual life of options 購股權合約期
Total number of options granted	已授出購股權總數	1,715	
Options granted on 30 November 2011	於2011年11月30日授出的購股權		
– directors	– 董事	325	85 months 85個月
– employees	– 僱員	1,180	85 months 85個月
			Percentage of vested shares 已歸屬股份的百分比
Vesting date 歸屬日期			
31 December 2012	2012年12月31日		25%
31 December 2013	2013年12月31日		50%
31 December 2014	2014年12月31日		75%
31 December 2015	2015年12月31日		100%

28 以權益結算以股份為基礎的付款

本公司於2011年11月30日首次採納購股權計劃(「首次公開售股前購股權計劃」)，據此，本公司董事獲授權由他們酌情決定，邀請本集團僱員(包括本集團任何公司的董事)接納購股權以認購本公司的股份。額外的購股權分別於2012年10月16日及2013年3月20日再授予本集團若干僱員。在授出該等購股權後，總數為1,715份購股權已授予僱員。每份購股權賦予持有人權利認購本公司1股普通股，並以股份全數結算。

(a) 授出的條款及條件如下：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(a) The terms and conditions of the grants are as follows: (Cont'd)

		Number of instruments 工具數目	Contractual life of options 購股權合約期
Options granted on 16 October 2012 – employees	於2012年10月16日授出的購股權 – 僱員	191	74 months 74個月
Vesting date 歸屬日期		Percentage of vested shares 已歸屬股份的百分比	
31 December 2013	2013年12月31日	25%	
31 December 2014	2014年12月31日	50%	
31 December 2015	2015年12月31日	75%	
31 December 2016	2016年12月31日	100%	
Options granted on 20 March 2013 – directors	於2013年3月20日授出的購股權 – 董事	19	69 months 69個月
Vesting date 歸屬日期		Percentage of vested shares 已歸屬股份的百分比	
31 December 2014	2014年12月31日	25%	
31 December 2015	2015年12月31日	50%	
31 December 2016	2016年12月31日	75%	
31 December 2017	2017年12月31日	100%	

The options are exercisable from six months after the Company's Global Offering date to 31 December 2018.

該等購股權可於本公司全球發售日期後六個月起至2018年12月31日行使。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

- (b) The number and weighted average exercise price of share option are as follows:

The exercise price for each option upon grant was HK\$48,654 and was subsequently adjusted to HK\$1.014 pursuant to the adjustment mechanism (note 28(d)).

28 以權益結算以股份為基礎的付款 (續)

- (b) 購股權的數目及加權平均行使價如下：

授出時各份購股權的行使價為48,654港元，並於其後根據調整機制調整至1.014港元(附註28(d))。

		Number of options (upon issue) (note 28(d)) 購股權數目 (發行時 (附註28(d))	Number of options (as adjusted) (note 28(d)) 購股權數目 (經調整) (附註28(d))
Outstanding on 1 January 2011	於2011年1月1日未行使	—	—
Granted during the year	年內授出	1,505	72,230,000
Exercised during the year	年內行使		—
Forfeited during the year	年內沒收		—
Outstanding on 31 December 2011	於2011年12月31日未行使	1,505	72,230,000
Exercisable on 31 December 2011	於2011年12月31日可行使		—
Outstanding on 1 January 2012	於2012年1月1日未行使	1,505	72,230,000
Granted during the year	年內授出	191	9,190,000
Exercised during the year	年內行使		—
Forfeited during the year	年內沒收		—
Outstanding on 31 December 2012	於2012年12月31日未行使	1,696	81,420,000
Exercisable on 31 December 2012	於2012年12月31日可行使		—
Outstanding on 1 January 2013	於2013年1月1日未行使		—
Granted during the year	年內授出	19	900,000
Exercised during the year	年內行使		—
Forfeited during the year	年內沒收		—
Outstanding on 31 December 2013	於2013年12月31日未行使		82,320,000
Exercisable on 31 December 2013	於2013年12月31日可行使		—

The options outstanding at 31 December 2013 had a remaining contractual life of 5 years (2012: 6 years).

於2013年12月31日未行使購股權擁有5年的餘下合約期(2012年：6年)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

		Tranche 1 第一批	Tranche 2 第二批	Tranche 3 第三批	Tranche 4 第四批
Grant date of 30 November 2011	2011年11月30日的授出日期				
Fair value at measurement date (HK\$)	於計量日期的公允值(港元)	9,125	9,136	9,175	9,231
Share value (HK\$)	股份價值(港元)	29,054	29,054	29,054	29,054
Expected volatility (1)	預期波幅(1)	43.87%	43.87%	43.87%	43.87%
Dividend yield (2)	股息收益率(2)	—	—	—	—
Risk-free interest rate (3)	無風險利率(3)	1.08%	1.08%	1.08%	1.08%
Suboptimal exercise factor	次優行使因素	3.0	3.0	3.0	3.0
Forfeiture rate	沒收比率	—	—	—	—
		Tranche 1 第一批	Tranche 2 第二批	Tranche 3 第三批	Tranche 4 第四批
Grant date of 16 October 2012	2012年10月16日的授出日期				
Fair value at measurement date (HK\$)	於計量日期的公允值(港元)	42,430	42,743	43,035	43,237
Share value (HK\$)	股份價值(港元)	79,664	79,664	79,664	79,664
Expected volatility (1)	預期波幅(1)	38.19%	38.19%	38.19%	38.19%
Dividend yield (2)	股息收益率(2)	—	—	—	—
Risk-free interest rate (3)	無風險利率(3)	1.10%	1.10%	1.10%	1.10%
Suboptimal exercise factor	次優行使因素	3.0	3.0	3.0	3.0
Forfeiture rate	沒收比率	—	—	—	—

28 以權益結算以股份為基礎的付款 (續)

(c) 購股權的公允值及假設

為換取已授出購股權而獲得服務的公允值是參照已授出購股權的公允值計量。已授出購股權的公允值估計是基於二項式點陣模型計量。購股權合約期是用作此模型的輸入數據。提早行使的預期已綜合計入二項式點陣模型。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

28 以權益結算以股份為基礎的付款 (續)

(c) Fair value of share options and assumptions (Cont'd)

(c) 購股權的公允值及假設 (續)

		Tranche 1 第一批	Tranche 2 第二批	Tranche 3 第三批	Tranche 4 第四批
Grant date of 20 March 2013	2013年3月20日的授出日期				
Fair value at measurement date (HK\$)	於計量日期的公允值(港元)	49,308	49,583	49,761	49,851
Share value (HK\$)	股份價值(港元)	89,689	89,689	89,689	89,689
Expected volatility (1)	預期波幅(1)	36.74%	36.74%	36.74%	36.74%
Dividend yield (2)	股息收益率(2)	—	—	—	—
Risk-free interest rate (3)	無風險利率(3)	0.51%	0.51%	0.51%	0.51%
Suboptimal exercise factor	次優行使因素	3.0	3.0	3.0	3.0
Forfeiture rate	沒收比率	—	—	—	—

(1) Volatility

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical and implied equity stock price volatility of listed comparable companies over a period comparable to the expected term of the options.

(2) Dividend yield

The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(1) 波幅

相關普通股於購股權期限內的波幅是根據上市可比較公司於與購股權預期期限可比較期間內的歷史及隱含股價波幅估計。

(2) 股息收益率

股息收益率由本公司根據購股權預期期間內的預期股息政策估計。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(c) Fair value of share options and assumptions (Cont'd)

(3) Risk-free interest rate

Risk-free interest rate was estimated based on the yield of Hong Kong Exchange Fund Bills/Notes with a maturity period equal to the expected term of the options as of the valuation date.

Changes in the above subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(d) Adjustments on number of share options and exercise price

Pursuant to the adjustment mechanism under the Pre-IPO Share Option Scheme, on 31 October 2013, being the listing date of the Shares of the Company, each share with a par value of US\$1.00 each under each Option granted was automatically adjusted to 48,000 Options and the exercise price per Share of each Option was adjusted from HK\$48,654 to HK\$1.014 accordingly. As a result, Options to subscribe for an aggregate of 82,320,000 Shares at an exercise price of HK\$1.014 per Share were outstanding as of 31 December 2013.

28 以權益結算以股份為基礎的付款 (續)

(c) 購股權的公允值及假設 (續)

(3) 無風險利率

無風險利率是根據香港外匯基金債券／票據的收益率估計，到期期間等於購股權於估值日期的預期期限。

以上主觀輸入數據假設的變動可能對公允值估計造成重大影響。購股權是根據服務條件授出。該條件並無計及所獲取服務於授出日期的公允值計量，並無與授出購股權相關的市場條件。

(d) 購股權數目及行使價的調整

根據首次公開售股前購股權計劃的調整機制，於2013年10月31日（即本公司股份上市日期），已授出各份購股權下面值為1.00美元的每股股份已自動調整為48,000份購股權，且每份購股權的每股股份行使價已相應由48,654港元調整為1.014港元。因此，於2013年12月31日，可按行使價每股股份1.014港元認購合共82,320,000股股份的購股權為未行使。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

28 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

28 以權益結算以股份為基礎的付款 (續)

(d) Adjustments on number of share options and exercise price (Cont'd)

(d) 購股權數目及行使價的調整(續)

The movement of the number of Share Options on an as adjusted basis from 31 October to 31 December 2013 was as follows:

2013年10月31日至12月31日按調整基準的購股權數目變動如下：

		Number of Share Options 購股權數目
Outstanding at 31 October 2013 (as adjusted)	於2013年10月31日(經調整)及	
and 31 December 2013	2013年12月31日未行使	82,320,000

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 DISPOSAL AND ACQUISITION OF SUBSIDIARIES

(a) Disposal of a subsidiary

On 31 December 2012, the Group transferred its entire equity interest in Harbin Hydo Commercial and Trade Center Development Company Limited ("Harbin Trade Center") to Harbin China South City Company Limited, an independent third party, for a consideration of RMB500,000,000.

29 出售及收購子公司

(a) 出售子公司

於2012年12月31日，本集團將其於哈爾濱毅德商貿城開發有限公司（「哈爾濱商貿城」）的全部股權轉讓予獨立第三方哈爾濱華南城有限公司，對價為人民幣500,000,000元。

		Year ended 31 December 2012 截至2012年 12月31日止年度 RMB'000 人民幣千元
Results of Harbin Trade Center	哈爾濱商貿城的業績	
Revenue	收益	—
Expenses	開支	(8,647)
Results from operating activities	經營活動所得業績	(8,647)
Tax	稅項	—
Results from operating activities, net of tax	經營活動所得業績，扣除稅項	(8,647)
Gain on disposal of a subsidiary	出售子公司收益	306,551
Tax on gain on disposal of a subsidiary	出售子公司收益的稅項	(76,638)
Profit for the year	年內利潤	229,913
Attributable to the equity shareholders of the Company	本公司權益股東應佔利潤	229,913

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 DISPOSAL AND ACQUISITION OF SUBSIDIARIES (Cont'd)

29 出售及收購子公司(續)

(a) Disposal of a subsidiary (Cont'd)

(a) 出售子公司(續)

		Year ended
		31 December 2012
		截至2012年
		12月31日止年度
		RMB'000
		人民幣千元
<hr/>		
Cash flows generated from Harbin Trade Center	哈爾濱商貿城所得現金流量	
Net cash used in operating activities	經營活動所用現金淨額	(48,963)
Net cash generated from financing activities	融資活動所得現金淨額	200,000
<hr/>		
Net cash flows for the year	年內現金流量淨額	151,037
<hr/>		
Effect of disposal on the financial position of the Group	出售對本集團財務狀況的影響	
Property, plant and equipment	物業、廠房及設備	5,638
Inventories	存貨	278,753
Trade and other receivables	貿易及其他應收款項	183,572
Cash and cash equivalents	現金及現金等值物	39,338
Trade and other payables	貿易及其他應付款項	(315,955)
<hr/>		
Net assets	資產淨值	191,346
Cash consideration received in 2012*	於2012年已收現金對價*	260,000
Cash and cash equivalents disposed	已出售現金及現金等值物	(39,338)
<hr/>		
Net cash inflow	現金流入淨額	220,662
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* The remaining consideration of RMB240,000,000 out of the total consideration of RMB500,000,000 was received in 2013.

* 人民幣500,000,000元的總對價中剩餘的人民幣240,000,000元已於2013年收取。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 DISPOSAL AND ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) Acquisition of a subsidiary

On 30 June 2013, the Group obtained the control of Ganzhou Jiuzhi by acquiring 51% equity interest from an independent third party for a consideration of RMB2,652,000. Ganzhou Jiuzhi is engaged in provision of property management services.

The acquisition has the following effect on the Group's assets and liabilities:

29 出售及收購子公司(續)

(b) 收購子公司

2013年6月30日，本集團通過以對價人民幣2,652,000元向獨立第三方收購51%股權而取得贛州久治的控制權。贛州久治從事物業管理服務。

該收購對本集團的資產及負債有以下影響：

		At 30 June 2013
		於2013年6月30日
		RMB'000
		人民幣千元
Cash and cash equivalents	現金及現金等值物	1,434
Inventories	存貨	31
Other receivables and prepayments	其他應收款項及預付款項	1,858
Property, plant and equipment	物業、廠房及設備	751
Trade and other payables	貿易及其他應付款項	(3,289)
Net assets	資產淨值	785
Non-controlling interests	非控股權益	(385)
Fair value of net identifiable assets acquired	所收購可識別資產淨值的公允值	400

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

29 DISPOSAL AND ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) Acquisition of a subsidiary (Cont'd)

Calculation of goodwill is as follows:

		At 30 June 2013
		於2013年6月30日
		RMB'000
		人民幣千元
Cash paid	已付現金	2,652
Fair value of net identifiable assets acquired	所收購可識別資產淨值的公允值	(400)
Goodwill	商譽	2,252

Had the acquisition been occurred on 1 January 2013, the Group's consolidated revenue for the year ended 31 December 2013 would have been increased by RMB5,739,000, and the Group's consolidated profit for the year ended 31 December 2013 would have been decreased by RMB65,000.

29 出售及收購子公司(續)

(b) 收購子公司(續)

商譽的計算如下：

倘收購於2013年1月1日發生，本集團截至2013年12月31日止年度的合併收益應增加人民幣5,739,000元，及本集團截至2013年12月31日止年度的合併利潤應減少人民幣65,000元。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the years are set out below:

				Equity settled share-based payment reserve	Exchange reserve	Accumulated losses	Total equity	
	Share capital	Share premium	Capital reserve	以權益結算以股份支付為基礎的儲備	匯兌儲備	累計虧損	權益總額	
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
		30(c)(i)	30(c)(v)	30(c)(iv)	30(c)(iii)			
At 1 January 2012	於2012年1月1日	333	—	—	459	102	(14,461)	(13,567)
Changes in equity for 2012:	2012年權益變動：							
Total comprehensive income for the year	年內全面收入總額	—	—	—	—	1,524	(372,556)	(371,032)
Equity settled share-based transactions	以權益結算以股份為基礎的交易	28	—	—	6,109	—	—	6,109
Issuance of new shares to Pre-IPO investors	向首次公開售股前投資者發行新股	30(b)(i)	32	—	343,965	—	—	343,997
At 31 December 2012	於2012年12月31日	365	—	343,965	6,568	1,626	(387,017)	(34,493)

30 股本及儲備

(a) 權益組成部分的變動

本集團合併權益各組成部分的年初與年終結餘的對賬載於合併權益變動表。本公司權益個別組成部分於年初至年末的變動詳情載列如下：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 CAPITAL AND RESERVES (Cont'd)

(a) Movements in components of equity (Cont'd)

30 股本及儲備(續)

(a) 權益組成部分的變動(續)

		Equity settled share-based payment reserve						
		以權益結算以股份支付為基礎的儲備						
		Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total equity	
		股本	股本溢價	資本儲備	匯兌儲備	累計虧損	權益總額	
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
附註		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
		30(c)(i)	30(c)(v)	30(c)(iv)	30(c)(iii)			
At 1 January 2013	於2013年1月1日	365	—	343,965	6,568	1,626	(387,017)	(34,493)
Changes in equity for 2013:	2013年權益變動：							
Total comprehensive income for the year	年內全面收入總額	—	—	—	—	(13,896)	(178,001)	(191,897)
Net proceeds from issue of ordinary shares upon Global Offering, net off issuing cost	於全球發售時發行普通股所得款項淨額抵銷發行成本	6,182	1,279,687	—	—	—	—	1,285,869
Capitalisation issue	資本化發行	25,321	(25,321)	—	—	—	—	—
Automatic conversion of redeemable convertible preference shares	自動轉換可贖回可換股優先股	77	—	1,021,939	—	—	—	1,022,016
Equity settled share-based transactions	以權益結算以股份為基礎的交易	—	—	—	5,707	—	—	5,707
Capitalisation of special dividend	資本化特別利息	—	—	20,205	—	—	—	20,205
At 31 December 2013	於2013年12月31日	31,945	1,254,366	1,386,109	12,275	(12,270)	(565,018)	2,107,407

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 CAPITAL AND RESERVES (Cont'd)

(b) Share capital

(i) *Authorised and issued share capital*

The Company was incorporated on 19 October 2010 with an authorised capital of US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1.00.

On 5 July 2011, the authorised share capital of the Company was increased to US\$62,500 divided into 50,000 ordinary shares and 12,500 preferred shares by the creation of 12,500 preferred shares of a par value of US\$1.00 each.

On 22 November 2012, the authorised share capital of the Company was increased to US\$67,703 divided into 55,203 ordinary shares of a par value of US\$1.00 each and 12,500 preferred shares of a par value of US\$1.00 each, by the creation of an aggregate of 5,203 ordinary shares at a par value of US\$1.00 each.

30 股本及儲備(續)

(b) 股本

(i) 法定及已發行股本

本公司於2010年10月19日註冊成立，法定股本為50,000美元，劃分為50,000股每股面值1.00美元的普通股。

於2011年7月5日，本公司通過增設12,500股每股面值1.00美元的優先股將法定股本增加至62,500美元(劃分為50,000股普通股及12,500股優先股)。

於2012年11月22日，本公司通過增設合共5,203股每股面值1.00美元的普通股將法定股本增加至67,703美元(劃分為55,203股每股面值1.00美元的普通股及12,500股每股面值1.00美元的優先股)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 CAPITAL AND RESERVES (Cont'd)

(b) Share capital (Cont'd)

(i) Authorised and issued share capital (Cont'd)

On 29 April 2013, the Company re-denominated its authorised share capital from US dollars into Hong Kong dollars. The Company authorised additional share capital of HK\$80,000,000 by the creation of 6,522,960,000 ordinary shares with a par value of HK\$0.01 per share and 1,477,040,000 preferred shares with a par value of HK\$0.01 per share. The Company then repurchased all the outstanding US dollar ordinary shares and preferred shares at par. For each of the US dollar ordinary share/preferred share repurchased, the Company also issued to the shareholder 775 Hong Kong dollar ordinary shares/preferred shares at par. Immediately following the repurchase, the Company cancelled all the unissued US dollar ordinary shares and preferred shares. After the re-denomination and cancellation, the Company's issued capital comprises 42,782,325 ordinary shares and 9,687,500 preferred shares at a par value of HK\$0.01 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

30 股本及儲備(續)

(b) 股本(續)

(i) 法定及已發行股本(續)

於2013年4月29日，本公司將其法定股本由美元轉換為港元。本公司通過增設6,522,960,000股每股面值0.01港元的普通股及1,477,040,000股每股面值0.01港元的優先股額外增加法定股本80,000,000港元。本公司其後按面值購回所有發行在外的美元普通股及優先股。本公司亦就所購回的每股美元普通股/優先股按面值向股份持有人發行775股港元普通股/優先股。緊隨購回後，本公司註銷所有未發行的美元普通股及優先股。上述轉換及註銷後，本公司的已發行股本包括42,782,325股每股面值0.01港元的普通股及9,687,500股每股面值0.01港元的優先股。

普通股持有人有權收取不時宣派的股息，並且有權在本公司會議上按照每持有一股股份獲得一票的比例參與投票。所有普通股就本公司剩餘資產均享有同等權利。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 CAPITAL AND RESERVES (Cont'd)

(b) Share capital (Cont'd)

(ii) Shares issued by share offer:

The shares of the Company were listed on the Stock Exchange on 31 October 2013, with a total number of 4,018,000,000 shares, among which 768,256,000 ordinary shares of HK\$0.01 each were issued to the public at a price of HK\$2.15 per share. On 27 November 2013, pursuant to a partial exercise of the over-allotment option in connection with the Global Offering, the Company further issued 11,950,000 ordinary shares of HK\$0.01 each at a price of HK\$2.15 per share. The gross proceeds received by the Company from the Global Offering were approximately HK\$1,677,442,900.

(iii) Capitalisation issue:

On 31 October 2013, 3,197,274,175 ordinary shares of HK\$0.01 each were issued at par value to the shareholders of the Company by way of capitalisation of HK\$31,972,742 (equivalent to approximately RMB25,321,000) from the Company's share premium account.

30 股本及儲備(續)

(b) 股本(續)

(ii) 透過股份發售發行的股份：

本公司股份於2013年10月31日在聯交所上市，股份總數為4,018,000,000股，其中768,256,000股面值0.01港元的普通股按每股股份2.15港元的價格向公眾發行。於2013年11月27日，根據與全球發售有關的超額配股權獲部分行使，本公司進一步按每股股份2.15港元的價格發行11,950,000股面值0.01港元的普通股。本公司自全球發售所得款項總額約為1,677,442,900港元。

(iii) 資本化發行

於2013年10月31日，3,197,274,175股每股面值0.01港元的普通股已以從本公司的股份溢價賬資本化31,972,742港元(相等於約人民幣25,321,000元)的方式按面值發行予本公司股東。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 CAPITAL AND RESERVES (Cont'd)

(c) Reserves

(i) Share premium

Under the Companies Law (2013 Revision) of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

30 股本及儲備(續)

(c) 儲備

(i) 股份溢價

根據 Companies Law (2013 Revision) of the Cayman Islands，本公司股份溢價賬可用於向股東支付分派或股息，惟須確保緊隨建議支付分派或股息日期後，本公司有能力支付日常業務過程中到期的債務。

(ii) 中國法定儲備

根據本集團中國子公司的組織章程細則及有關法定法規，須以按中國會計規則及法規釐定的除稅後利潤的 10% 向法定儲備金撥款，直至儲備結餘達到註冊資本的 50%。該儲備金可用於抵銷中國子公司的累計虧損或增資，惟轉換後儲備金結餘不少於註冊資本的 25%，且除於清盤時，不可用於分派。

(iii) 匯兌儲備

匯兌儲備包括因換算非人民幣的功能貨幣經營財務報表而產生的所有相關匯兌差額。該儲備按附註 1(w) 所載的會計政策處理。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 CAPITAL AND RESERVES (Cont'd)

(c) Reserves (Cont'd)

(iv) Equity settled share-based payment reserve

Equity settled share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 1(s)(ii).

(v) Other reserve

Other reserve is resulted from transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus/deficit arising from the difference between the disposal/acquisition consideration and its net assets value at the respective date of disposal/acquisition.

(d) Distributability of reserves

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2013 Revision) of the Cayman Islands, amounted to approximately RMB689,348,000 (2012: Nil). It represents the Company's share premium account of approximately RMB1,254,366,000 (2012: Nil) and accumulated losses of approximately RMB565,018,000 (2012: RMB387,017,000) in aggregate as at 31 December 2013, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

30 股本及儲備(續)

(c) 儲備(續)

(iv) 以權益結算以股份支付為基礎儲備

以權益結算以股份支付為基礎儲備指按附註1(s)(ii)所述根據就以股份付款採納的會計政策計算授予本集團僱員的未行使購股權實際或估計數目的公允值。

(v) 其他儲備

其他儲備來自與擁有人以其權益擁有人身份進行的交易。結餘包括出售/收購對價與相關出售/收購日期資產淨值的差額所產生資本儲備盈餘/虧絀。

(d) 儲備的可分派性

於2013年12月31日，根據Companies Law (2013 Revision) of the Cayman Islands計算的本公司可供分派儲備約為人民幣689,348,000元(2012年：零)，即2013年12月31日本公司股份溢價約人民幣1,254,366,000元(2012年：零)與累計虧損約人民幣565,018,000元(2012年：人民幣387,017,000)之和。該等儲備可作分派，惟緊隨建議派發股息日期後，本公司有能力償還日常業務過程中到期的債項。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 CAPITAL AND RESERVES (Cont'd)

(e) Capital management

The Group's primary objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. The Group defines this ratio as total interest-bearing liabilities (includes bank loans and other borrowings and redeemable convertible preference shares) divided by total assets of the Group. At 31 December 2013, the gearing ratio of the Group was 8.0% (2012: 25.9%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(f) Dividends

Final dividend proposed after the end of the reporting period of HK19.5 cents per ordinary share (2012: Nil)	將擬派末期息每股19.5港仙 (2012: 零)		
		616,582	—

The directors of the Company resolved on 24 March 2014 that a dividend of HK19.5 cents (or equivalent to approximately RMB15.3 cents) per share is to be distributed to the shareholders for 2013, subject to the approval of the shareholders at the coming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

30 股本及儲備(續)

(e) 資本管理

本集團管理資本的主要目標為保障本集團持續經營的能力，以向其物業開發項目提供資金，以及藉著與風險水平及以合理成本取得融資掛鈎的方式為物業定價而為股東及其他利益相關者提供回報及利益。

本集團積極定期審核及管理其資本架構，以維持與高借貸水平可能有關的較高股東回報與穩健資本狀況帶來的優勢及擔保之間的平衡，並根據經濟狀況的變動調整資本架構。

與行業慣例相符，本集團根據資產負債比率監察其資本結構。本集團界定此比率為總計息負債(包括銀行貸款及其他借貸及可贖回可換股優先股)除以本集團資產總值。於2013年12月31日，本集團之資產負債比率為8.0%(2012年：25.9%)。

本公司或其任何子公司概不受外部施加的資本規定所限。

(f) 股息

	2013	2012
	RMB'000	RMB'000
	人民幣千元	人民幣千元

本公司董事於2014年3月24日議決向股東派發2013年的股息每股為19.5港仙(相當於約每股人民幣15.3分)，惟須待股東於應屆股東週年大會上批准。報告期末並無確認報告期後擬派末期股息為負債。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

30 CAPITAL AND RESERVES (Cont'd)

(g) Non-controlling interests

(i) During the year ended 31 December 2013:

The non-controlling equity holder of Xingning Hydo Commercial and Trade Center Company Limited injected another RMB4,000,000.

In January 2013, the Group acquired the 20% equity interest in Ganzhou Trade Center from the non-controlling equity holder for a consideration of RMB150 million, which was settled on 17 January 2013. The difference between the net identifiable assets at the settlement date of Ganzhou Trade Center and the consideration paid of RMB51,866,000 is deducted from Reserve – transactions with non-controlling interests in the equity.

(ii) During the year ended 31 December 2012:

The Group established Ganzhou Trade Center, a non-wholly owned subsidiary. The paid-up capital is RMB732,000,000, of which RMB100,000,000 was paid up by the non-controlling equity holder.

The Group established Xingning Hydo Commercial and Trade Center Company Limited, a non-wholly owned subsidiary. The paid-up capital is RMB40,000,000, of which RMB8,000,000 was paid up by the non-controlling equity holder.

30 股本及儲備(續)

(g) 非控股權益

(i) 截至2013年12月31日止年度：

興寧毅德商貿物流城有限公司的非控股權益持有人另行注資人民幣4,000,000元。

於2013年1月，本集團以對價人民幣1.5億元(於2013年1月17日結算)向非控股權益持有人收購贛州商貿物流中心20%的股權。於贛州商貿物流中心結算日期的可識別資產淨值與已付對價人民幣51,866,000元之間的差額於權益中抵減儲備—與非控股權益的交易。

(ii) 截至2012年12月31日止年度：

本集團成立贛州商貿物流中心(非全資子公司)。實收資本為人民幣732,000,000元，其中人民幣100,000,000元由非控股權益持有人繳足。

本集團成立興寧毅德商貿物流城有限公司(非全資子公司)。實收資本為人民幣40,000,000元，其中人民幣8,000,000元由非控股權益持有人繳足。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

At 31 December 2013 and 2012, the Group had no concentrations of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the year.

31 金融風險管理及公允值

本集團於一般業務過程中面對信貸、流動資金、利率及貨幣風險。本集團面對之風險及本集團為管理該等風險而採用之財務風險管理政策及慣例載述如下。

(a) 信貸風險

本集團的信貸風險主要來自銀行存款、貿易及其他應收款項。本集團設有明確的信貸政策並持續監察面對的該等信貸風險。

現金存放於具優良信貸評級的金融機構，且本集團承受的任何單一金融機構的風險有限。基於該等機構的高信貸評級，管理層預期該等金融機構均會履行責任。

於2013及2012年12月31日，鑑於客戶數目眾多，本集團並無集中信貸風險。本集團於年內並無錄得重大壞賬虧損。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(a) Credit risk (Cont'd)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 33.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

(b) Liquidity risk

The Group management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

31 金融風險管理及公允值(續)

(a) 信貸風險(續)

最高信貸風險為合併財務狀況表中各金融資產的賬面值。除附註33所載本集團提供的財務擔保外，本集團並無提供任何其他可能導致本集團面對信貸風險的擔保。於報告期末該等財務擔保所涉的最高信貸風險披露於附註33。

有關本集團貿易及其他應收款項所產生信貸風險的進一步量化披露載於附註17。

(b) 流動資金風險

本集團管理層持續審核本集團流動資金狀況，包括審核預計現金流入及流出、各物業項目的銷售/預售業績、貸款及借貸到期情況以及計劃物業開發項目的進度，以監控本集團的短期及長期流動資金需求。本集團的政策是定期監控流動資金需求及有否遵守借貸契諾，以確保備有足夠的現金儲備，及向主要金融機構取得充足的已承諾資金，以應付長短期流動資金需求。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities excluding receipts in advance, which the Group expects to settle by delivery of completed properties. The contractual maturities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group:

		2013					
		Contractual undiscounted cash outflow					
		合約未貼現現金流出					
		Within	More than	More than			
		1 year	1 year but	2 years but			
		or on	less than	less than			
		demand	2 years	5 years	More than		Carrying
		一年內或	超過一年	超過兩年	5 years	Total	amount
		按要求	但少於兩年	但少於五年	五年以上	總計	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Bank loans and	銀行貸款及						
other borrowings	其他借貸	338,868	228,719	485,289	—	1,052,876	883,860
Trade and other payables	貿易及其他						
	應付款項	1,398,791	52,809	—	—	1,451,600	3,828,104
		1,737,659	281,528	485,289	—	2,504,476	4,711,964

31 金融風險管理及公允值(續)

(b) 流動資金風險(續)

下表載列本集團及本公司金融負債(不包括本集團預期以交付已完工物業結算的預收款項)於各報告期末的餘下合約期限。合約期限是根據合約未貼現現金流量(包括以合約利率或(倘浮動)各報告期末現行的利率估算的利息付款)以及本集團及本公司需要還款的最早日期計算:

本集團:

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

The Group: (Cont'd)

		2012						
		Contractual undiscounted cash outflow						
		合約未貼現現金流出						
		Within	More than	More than				
		1 year	1 year but	2 years but				
		or on	less than	less than				
		demand	2 years	5 years	More than		Carrying	
		一年內或	超過一年	超過兩年	5 years	Total	amount	
		按要求	但少於兩年	但少於五年	五年以上	總計	賬面值	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
Bank loans and	銀行貸款及							
other borrowings	其他借貸	754,404	60,429	—	—	814,833	749,000	
Trade and other payables	貿易及其他							
	應付款項	909,440	52,262	—	—	961,702	1,712,620	
Amounts due to								
related parties	應付關聯方款項	1,228	—	—	—	1,228	1,228	
Redeemable convertible	可贖回可換股							
preference shares	優先股	—	726,530	—	—	726,530	581,412	
		1,665,072	839,221	—	—	2,504,293	3,044,260	

31 金融風險管理及公允值(續)

(b) 流動資金風險(續)

本集團：(續)

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

The Company:

31 金融風險管理及公允值(續)

(b) 流動資金風險(續)

本公司：

2013

Contractual undiscounted cash outflow

合約未貼現現金流出

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	一年內或 按要求	超過一年 但少於兩年	超過兩年 但少於五年	五年以上	總計	賬面值
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Trade and other payables 貿易及其他 應付款項	4,596	—	—	—	4,596	4,596
	4,596	—	—	—	4,596	4,596

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

The Company: (Cont'd)

31 金融風險管理及公允值(續)

(b) 流動資金風險(續)

本公司：(續)

		2012					
		Contractual undiscounted cash outflow					
		合約未貼現現金流出					
		Within	More than	More than			
		1 year	1 year but	2 years but			
		or on	less than	less than			
		demand	2 years	5 years	More than		Carrying
		一年內或	超過一年	超過兩年	5 years	Total	amount
		按要	但少於兩年	但少於五年	五年以上	總計	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Trade and other payables	貿易及其他 應付款項	24,775	—	—	—	24,775	24,775
Amounts due to related parties	應付關聯方款項	4,754	—	—	—	4,754	4,754
Redeemable convertible preference shares	可贖回可換股 優先股	—	726,530	—	—	726,530	581,412
		29,529	726,530	—	—	756,059	610,941

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, restricted cash and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 23 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 50 basis points (2012: 50 basis points) in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB16,485,000 (2012: decrease/increase profit after tax by approximately RMB13,000).

Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax and retained profits and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. The analysis is performed on the same basis for the year ended 31 December 2012.

31 金融風險管理及公允值(續)

(c) 利率風險

本集團利率風險主要來自現金及現金等值物、受限制現金及以浮動利率借款。

本集團預期現金及現金等值物及已抵押存款不會受重大影響，因為預期銀行存款利率不會有重大變動。

本集團銀行貸款的利率及償還條款披露於財務報表附註23。本集團並無就管理利率風險進行任何對沖活動。

敏感度分析

於2013年12月31日，在其他所有變量保持不變的情況下，倘利率整體上升/下降50個基點(2012年：50個基點)，估計本集團的除稅後利潤及本公司權益股東應佔總權益將增加/減少約人民幣16,485,000元(2012年：除稅後利潤減少/增加約人民幣13,000元)。

利率變動不會影響合併權益的其他組成部分。

上述敏感度分析顯示本集團的除稅後利潤/虧損及保留利潤以及合併權益的其他部分可能產生的即時變動。敏感度分析假設利率變動於各報告期末已發生，並已用於重新計量本集團所持有並於各報告期末使本集團面對公允值利率風險的金融工具。有關分析乃按截至2012年12月31日止年度的相同基準作出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(d) Currency risk

The Group is exposed to foreign currency risk primarily on bank deposits to which the transactions relate. The currencies giving rise to this risk are primarily US dollars.

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of each reporting period.

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Net exposure arising from recognised assets and liabilities:	已確認資產及負債產生的風險淨額：		
Cash and cash equivalents – denominated in USD	現金及現金等值物—以美元計值	36,596	72,053

The functional currency of the Company is USD. The Company did not have material assets or liabilities that are denominated in a currency other than its functional currency and accordingly the Company has no significant exposure to foreign currency risk as at 31 December 2013 and 2012.

31 金融風險管理及公允值(續)

(d) 貨幣風險

本集團面臨外幣風險，主要來自與交易有關的銀行存款。引致有關風險的貨幣主要為美元。

下表詳述本集團於各報告期末面臨以有關實體功能貨幣以外貨幣計值的已確認資產或負債產生的貨幣風險。就呈列而言，風險金額以人民幣列示，並於各報告期末使用現貨匯率換算。

本公司的功能貨幣為美元。於2013及2012年12月31日，本公司並無以其功能貨幣以外貨幣計值的重大資產或負債，因此，本公司並無重大外匯風險。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(d) Currency risk (Cont'd)

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

		The Group 本集團	
		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Cash and cash equivalents – denominated in USD	現金及現金等值物 – 以美元計值	(1,372)	(2,702)

The foreign currency sensitivity analysis is calculated based on the major net foreign currency exposure of the Group as at the reporting dates, assuming 5% shift of RMB against USD on the profit after tax and retained profits and excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2012.

31 金融風險管理及公允值(續)

(d) 貨幣風險(續)

敏感度分析

倘於報告期末對本集團有重大影響的外匯比率於該日期發生變動，並假設所有其他風險變量保持不變，下表顯示本集團的除稅後利潤(及保留利潤)可能產生的即時變動。

外幣敏感度分析乃根據本集團於報告日期的主要外幣風險淨額計算(假設就除稅後利潤及保留利潤而言，人民幣兌美元存在5%的變動)，及不包括將海外業務的財務報表換算為本集團的呈列貨幣引起的差額。該分析乃按2012年的相同基準進行。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale unlisted equity securities (see note 13).

The Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plan.

(f) Fair value

(i) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs

31 金融風險管理及公允值(續)

(e) 權益投資價格風險

本集團面臨分類為可供出售非上市股本證券的權益投資產生的價格變動風險(見附註13)。

本集團的未報價投資是持作長期策略用途。該等投資表現會根據本集團就同類上市實體表現可得的有限資料而至少每兩年評估一次，連同評估他們與本集團長期策略計劃的相關性。

(f) 公允值

(i) 按公允值計量的金融工具

下表呈列於報告期末以經常性準則按公允值計量的金融工具賬面值，並按國際財務報告準則第13號，*公允值計量*所界定分類為三個公允值級別。公允值計量是參考以下估值方法所使用的輸入數據可觀察性及重要性而分類及釐定其級別：

第一級估值：僅使用第一級數據計量的公允值，即於計量日期在活躍市場對相同資產或負債未經調整的報價

第二級估值：使用第二級數據計量的公允值，即不符合第一級的可觀察數據及未有採用不可觀察的重要數據。不可觀察數據乃指無法取得市場資料的數據

第三級估值：使用不可觀察的重要數據計量的公允值

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(f) Fair value (Cont'd)

(i) Financial instruments measured at fair value (Cont'd)

	Fair value at 31 December 2013			Fair value measurements as at 31 December 2013 categorised into			Fair value at 31 December 2012			Fair value measurements as at 31 December 2012 categorised into		
	於12月31日的公允值	Level 1 第一級	Level 2 第二級	Level 3 第三級	於12月31日 的公允值	於2013年12月31日分類 如下的公允值計量	於12月31日 的公允值	於2012年12月31日分類 如下的公允值計量	Level 1 第一級	Level 2 第二級	Level 3 第三級	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	

Recurring fair value measurements	經常性公允值計量										
Assets:	資產：										
Available-for-sale investment:	可供出售投資：										
–Wealth management products	–理財產品	120,000	—	120,000	—	—	—	—	—	—	—
Embedded derivative liabilities on redeemable convertible preference shares	可贖回可換股優先股的 嵌入式衍生工具負債	—	—	—	—	292,502	—	—	—	—	292,502

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products in Level 2 is the estimated amount that the Group would receive upon expiry or termination at the end of the reporting period, taking into account the related current interest rates.

第二級公允值計量所用的估值方法及輸入數據

第二級的理財產品公允值為估計本集團將於報告期末收取的屆滿或終止金額，當中已計及相關現行利率。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(f) Fair value (Cont'd)

(i) Financial instruments measured at fair value (Cont'd)

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels and fair value hierarchy as at the end of the reporting period in which they occur. Upon consummation of Qualified IPO on 31 October 2013, the redeemable convertible preference shares and embedded derivative liabilities on redeemable convertible preference shares in level 3 were automatically converted to equity.

Valuation techniques and inputs used in Level 3 fair value measurements

An external valuer was appointed to prepare valuation of the Group's fair values of embedded derivative liabilities on redeemable convertible preference shares at 31 December 2012, details of which are disclosed in note 26. The fair value of embedded derivative liabilities on redeemable convertible preference shares are determined using binomial tree model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility.

All other significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2013.

31 金融風險管理及公允價值(續)

(f) 公允價值(續)

(i) 按公允價值計量的金融工具(續)

年內，第一級與第二級之間並無任何轉移，亦無轉入或轉出第三級。本集團的政策為於發生公允價值等級轉移的報告期間結束時，確認公允價值等級中不同級別之間的轉移。於合資格首次公開發售在2013年10月31日結束後，可贖回可換股優先股及屬第三級的可贖回可換股優先股的嵌入式衍生工具負債已自動轉換為股權。

第三級公允價值計量所用的估值方法及輸入數據

已委任外聘估值師編製本集團可贖回可換股優先股的嵌入式衍生工具負債於2012年12月31日的公允價值，詳情於附註26披露。可贖回可換股優先股的嵌入式衍生工具負債的公允價值使用二項式樹狀模型釐定，而公允價值計量中所用的重大不可觀察輸入數據為預期波幅。公允價值計量與預期波幅呈正相關。

所呈列所有其他重大金融資產及負債的金額與其於2013年12月31日的公允價值並無重大差異。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(f) Fair value (Cont'd)

- (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012 except as follows:

	Carrying	Fair	Fair value measurements			Carrying	Fair
	amount at 31	value at 31	as at 31 December 2013			amount at	value at
	December	December	categorised into			31 December	31 December
	2013	2013	Level 1	Level 2	Level 3	2012	2012
	於2013年	於2013年	分為以下級別於2013年			於2012年	於2012年
	12月31日	12月31日	12月31日的公允值計量			12月31日	12月31日
	的賬面值	的公允值	第一級	第二級	第三級	的賬面值	的公允值
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Redeemable convertible preference shares	—	—	—	—	—	581,412	608,524

Redeemable convertible preference shares 可贖回可換股優先股

Valuation techniques and inputs used in Level 3 fair value measurements

An external valuer was appointed to prepare valuation of the Group's fair values of the redeemable convertible preference shares at 31 December 2012, details of which are disclosed in note 26. The fair value of the redeemable convertible preference shares are determined using binomial tree model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility.

第三級公允值計量所用的估值技術及輸入數據

已委任外聘估值師編製本集團可贖回可換股優先股於2012年12月31日的公允值，詳情於附註26披露。可贖回可換股優先股的公允值使用二項式樹狀模型釐定，而公允值計量中所用的重大不可觀察輸入數據為預期波幅。公允值計量與預期波幅呈正相關。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

32 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2013 not provided for in the financial statements were as follows:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contracted but not provided for	已訂約但未撥備	1,223,694	1,222,759

- (b) At 31 December 2013, the total value minimum lease payments under non-cancellable operating lease are payable as follows:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Within 1 year	一年內	13,893	9,537
After 1 year but within 2 years	一年後但兩年內	12,373	16,421
		26,266	25,958

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

本集團按照經營租賃租用多幢樓宇設施。租期初步一般為兩年，到期後可選擇續約，屆時會重新商定所有條款。概無租賃包括或然租金。

32 承擔

- (a) 財務報表內並無撥備的於2013年12月31日的資本承擔如下：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contracted but not provided for	已訂約但未撥備	1,223,694	1,222,759

- (b) 於2013年12月31日，根據不可撤銷經營租賃應付最低租金總值到期情況如下：

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Within 1 year	一年內	13,893	9,537
After 1 year but within 2 years	一年後但兩年內	12,373	16,421
		26,266	25,958

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

33 CONTINGENT LIABILITIES

Guarantees

The Group 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 any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	就本集團物業買方獲授的按揭融資而向銀行作出的擔保	1,482,069	474,994

The directors of the Company consider that it is not probable that the Group will sustain a loss under these guarantees as the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors of the Company also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors of the Company.

33 或然負債

擔保

本集團為若干銀行就本集團物業買方所訂立的按揭貸款而授出的按揭融資提供擔保。根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還欠負的按揭貸款連同違約買方應支付予銀行的任何應計利息及罰款。本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個別房產證及全數繳付按揭貸款(以較早者為準)時為止。

於各報告期末就本集團物業買方獲授的最大的按揭融資而向銀行作出的擔保金額如下：

	2013	2012
	RMB'000	RMB'000
	人民幣千元	人民幣千元
就本集團物業買方獲授的按揭融資而向銀行作出的擔保	1,482,069	474,994

本公司董事認為，由於本集團可接管相關物業的所有權並出售有關物業，以收回本集團向銀行支付的任何金額，因此本集團不大可能因該等擔保而遭受虧損。本公司董事亦認為，倘買方拖欠償還銀行付款，則相關物業的公允市值能彌補本集團所擔保的未償還按揭貸款。

由於本公司董事認為該等擔保的公允價值極低，故本集團並未就該等擔保確認任何遞延收入。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)
(除另有指明外，均以人民幣列示)

34 MATERIAL RELATED PARTY TRANSACTIONS

For the year ended 31 December 2013 and 2012, transactions with the following parties are considered to be related party transactions:

Name of party 關聯方

Shenzhen Howard Industrial Co., Ltd.
(深圳市豪德實業有限公司*)

Ji'An Trade Center Development Co., Ltd.
(吉安貿易廣場開發有限公司*)

Shenzhen Howard Investment Co., Ltd.
(深圳市豪德投資有限公司*)

Jincheng Howard Guangcai Trade Center Development Co., Ltd.
(晉城豪德光彩貿易廣場開發有限公司*)

Linyi Howard Guangcai Trade Center Development Co., Ltd.
(臨沂豪德光彩貿易廣場開發有限公司*)

Included in the balances as at 31 December 2013 and 2012 set out in note 34(c) are unsecured, interest free advance made to/from related parties of the Group.

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

Note 1 In 2012, the Controlling Shareholders transferred their equity interests in these entities to third parties. At 31 December 2012, these companies were no longer considered related parties to the Group.

34 重大關聯方交易

截至2013及2012年12月31日止年度，與下列參與方進行的交易將被視為關聯方交易：

Relationship 關係

Associate company of the Controlling Shareholders (note 1)
控股股東的聯營公司(附註1)

Entity controlled by the Controlling Shareholders (note 1)
控股股東控制的實體(附註1)

Entity controlled by the Controlling Shareholders (note 1)
控股股東控制的實體(附註1)

Entity controlled by the Controlling Shareholders (note 1)
控股股東控制的實體(附註1)

Entity controlled by the Controlling Shareholders (note 1)
控股股東控制的實體(附註1)

附註34(c)所載於2013及2012年12月31日的結餘包括本集團給予關聯方／由關聯方提供的無抵押、免息墊款。

* 該等實體均為中國有限公司。公司名稱的英文翻譯僅供參考，該等公司的官方名稱均為中文。

附註1 於2012年，控股股東將其於該等實體的股權轉讓予第三方。於2012年12月31日，該等公司不再被視為本集團的關聯方。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

34 MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contribution to defined contribution retirement plans	定額供款退休計劃	137	83
Wages, salaries and other benefits in kind	薪金、工資及其他福利	20,213	13,687
Equity settled share-based payments (note 28)	以權益結算以股份為基礎的付款(附註28)	2,655	2,868
		23,005	16,638

Total remuneration is included in "staff costs" (see note 5(b)).

主要管理人員薪酬包括附註7所披露的向本公司董事支付金額及附註8所披露向若干最高薪僱員支付的金額，載列如下：

薪酬總額載於「員工成本」(請參閱附註5(b))。

34 重大關聯方交易(續)

(a) 主要管理人員薪酬

主要管理人員薪酬包括附註7所披露的向本公司董事支付金額及附註8所披露向若干最高薪僱員支付的金額，載列如下：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

34 MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

(b) Transactions with related parties

		2013	2012
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Receipts from related parties	收取關聯方的款項		
– the Controlling shareholders	– 控股股東	796	3,039
– Shenzhen Howard Industrial Co., Ltd.	– 深圳市豪德實業有限公司	—	110,804
– Shenzhen Howard Investment Co., Ltd.	– 深圳市豪德投資有限公司	—	170,000
– Jincheng Howard Guangcai Trade Center Development Co., Ltd.	– 晉城豪德光彩貿易廣場開發有限公司	—	70,000
– Linyi Howard Guangcai Trade Center Development Co., Ltd.	– 臨沂豪德光彩貿易廣場開發有限公司	—	20,000
– Ji'An Trade Center Development Co., Ltd	– 吉安貿易廣場開發有限公司	—	5,000
– Others	– 其他	—	1,500
		796	380,343
Payments to related parties	支付關聯方的款項		
– the Controlling shareholders	– 控股股東	(228)	(39,868)
– Shenzhen Howard Industrial Co., Ltd.	– 深圳市豪德實業有限公司	—	(58,674)
– Shenzhen Howard Investment Co., Ltd.	– 深圳市豪德投資有限公司	—	(170,000)
– Jincheng Howard Guangcai Trade Center Development Co., Ltd.	– 晉城豪德光彩貿易廣場開發有限公司	—	(70,000)
– Linyi Howard Guangcai Trade Center Development Co., Ltd.	– 臨沂豪德光彩貿易廣場開發有限公司	—	(20,000)
– Ji'An Trade Center Development Co., Ltd	– 吉安貿易廣場開發有限公司	—	(5,000)
– Others	– 其他	(1,000)	—
		(1,228)	(363,542)
Sales of properties to related parties	銷售物業予關聯方	607	—

34 重大關聯方交易(續)

(b) 與關聯方的交易

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

34 MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

(c) Balances with related parties

		2013	2012
		2013年	2012年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Other receivable due from related parties	其他應收關聯方款項		
– the Controlling shareholders	– 控股股東	—	796
Other payable due to related parties	其他應付關聯方款項		
– the Controlling shareholders	– 控股股東	—	(228)
– other related parties	– 其他關聯方	—	(1,000)
		—	(1,228)

(d) Applicability of the Listing Rules relating to connected transactions.

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

35 NON-ADJUSTMENT EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 30(f).

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2013, the directors consider the immediate parent and ultimate controlling party of the Group to be Most Trend Holding Limited, which is incorporated in the British Virgin Islands with limited liability and beneficially owned by the Controlling Shareholders. This entity does not produce financial statements available for public use.

34 重大關聯方交易(續)

(c) 與關聯方的結餘

		2013	2012
		2013年	2012年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Other receivable due from related parties	其他應收關聯方款項		
– the Controlling shareholders	– 控股股東	—	796
Other payable due to related parties	其他應付關聯方款項		
– the Controlling shareholders	– 控股股東	—	(228)
– other related parties	– 其他關聯方	—	(1,000)
		—	(1,228)

(d) 上市規則對關連交易的適用性

上述關聯方交易均不屬於上市規則第十四A章所定義的關連交易或持續關連交易。

35 報告期後非調整事項

報告期結束後，董事建議派發末期股息。進一步詳情披露於附註30(f)。

36 直接及最終控股方

於2013年12月31日，董事認為本集團直接母公司及最終控股方為至毅控股有限公司，該公司於英屬維爾京群島註冊成立為有限公司並由控股股東實益擁有。該實體並無編製作公開用途的財務報表。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有指明外，均以人民幣列示)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

37 已頒佈但於截至2013年12月31日止年度仍未生效的修訂、新準則及詮釋的可能影響

截至本財務報表刊發日期，國際會計準則理事會已頒佈多項修訂及一項新準則，惟該等修訂及新準則於截至2013年12月31日止年度仍未生效且未於財務報表採納。其中，下列項目可能與本集團有關：

	Effective for accounting periods beginning on or after 自以下日期或 之後開始的 會計期間生效
Amendments to IAS 32, <i>Financial instruments: Presentation– Offsetting financial assets and financial liabilities</i> 國際會計準則第32號(修訂本)， <i>金融工具：呈列—抵銷金融資產及金融負債</i>	1 January 2014 2014年1月1日
IFRS 9, <i>Financial instruments</i> 國際財務報告準則第9號， <i>金融工具</i>	1 January 2015 2015年1月1日

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

本集團正在評估該等修訂預期於首次應用期間的影響。截至目前，本集團認為採用上述各項不會對合併財務報表有重大影響。

ISSUER

Hydoo International Holding Limited

Registered Office

PO Box 309, Uglan House
Grand Cayman KY1-1104
Cayman Islands

**Principal Place of
Business in Hong Kong**

Unit 2107 Hutchison House
10 Harcourt Road, Central
Hong Kong

TRUSTEE

Citicorp International Limited

39/F, Citibank Tower
Citibank Plaza
3 Garden Road, Central
Hong Kong

REGISTRAR

Citigroup Global Markets

Deutschland AG
Reuterweg 16
60323 Frankfurt
Germany

**PAYING AND
TRANSFER AGENT**

**Citibank, N.A.,
London Branch**

c/o Citibank, N.A., Dublin Branch
One North Wall Quay, Dublin 1
Ireland

LEGAL ADVISORS TO THE ISSUER

as to U.S. and Hong Kong law:

Kirkland & Ellis

26th Floor, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:

Global Law Office

1501–1502, Tower 1
Excellence Century Center
Fuhua 3 Road
Shenzhen, China

as to British Virgin Islands and Cayman Islands law:

Maples and Calder

53rd Floor, The Center
99 Queen's Road Central
Hong Kong

LEGAL ADVISORS TO THE JOINT BOOKRUNNERS

as to U.S. law:

Sidley Austin

39th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

as to PRC law:

Jingtian & Gongcheng

34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing, China

INDEPENDENT AUDITOR

KPMG

8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

US\$100,000,000

HYDOO INTERNATIONAL HOLDING LIMITED
(incorporated in Cayman Islands with limited liability)

13.75% Senior Notes due 2018

Issue Price: 99.404%
plus, accrued interest, if any, from the issue date