Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. The Company does not intend to make any public offering of securities in the United State.

Logan Property Holdings Company Limited
龍光地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3380)

OVERSEAS REGULATORY ANNOUNCEMENT

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

Reference is made to the announcement of Logan Property Holdings Company Limited (the "**Company**") dated 24 May 2017 in relation to the issue of the Perpetual Capital Securities (the "**Announcement**"). Capitalised terms used herein have the same meanings as those defined in the Announcement, unless otherwise defined.

Please refer to the attached information memorandum in relation to the Perpetual Capital Securities (the "**Information Memorandum**"), which is available on the website of the SGX-ST as of 2 June 2017.

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

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

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

By order of the Board
Logan Property Holdings Company Limited
Kei Hoi Pang
Chairman

Hong Kong, 2 June 2017

As at the date of this announcement, the executive Directors are Mr. Kei Hoi Pang, Mr. Ji Jiande, Mr. Xiao Xu and Mr. Lai Zhuobin; the non-executive Director is Ms. Kei Perenna Hoi Ting; and the independent non-executive Directors are Mr. Zhang Huaqiao, Ms. Liu Ka Ying, Rebecca and Mr. Cai Suisheng.

Logan Property Holdings Company Limited

龍光地產控股有限公司

(incorporated in the Cayman Islands with limited liability)

US$350,000,000
Perpetual Capital Securities
Issue Price: 99.0 per cent.

The US$350,000,000 in aggregate principal amount of perpetual capital securities (the "Securities") will be issued by Logan Property Holdings Company Limited (the "Company" or the "Issuer"). The Securities confer a right to receive distributions (each, a "Distribution") for the period from and including May 31, 2017 (the "Issue Date") at the applicable rate described below (the "Distribution Rate"). Subject to the provisions of the Securities relating to deferral of Distribution (see "Terms and Conditions of the Securities — Distributions — Distribution Deferral"), Distribution shall be payable semi-annually in arrears on May 31 and November 30 of each year (each, a "Distribution Payment Date") with the first Distribution Payment Date falling on November 30, 2017 (also, a "Distribution Payment Date").

Unless previously redeemed in accordance with the terms of the Securities, Distributions (i) from, and including, the Issue Date to, but excluding, May 31, 2022 shall accrue on the outstanding principal amount of the Securities at a rate of 7.0 per cent. per annum (ii) from, and including, May 31, 2022 to up to the Reset Date falling on May 31, 2037 shall accrue on the outstanding principal amount of the Securities at a rate per annum equal to the applicable Treasury Rate (as defined in "Terms and Conditions of the Securities") plus 5.75 per cent. plus 0.25 per cent. per annum; and (iii) from, and including, each Reset Date following on or after May 31, 2037, to, but excluding, the immediately following Reset Date, shall accrue on the outstanding principal amount of the Securities at a rate per annum equal to the applicable Treasury Rate (as defined in "Terms and Conditions of the Securities") plus 5.75 per cent. plus 0.25 per cent. plus 0.75 per cent. per annum.

The Issuer may, at its sole discretion, elect to defer, in whole or in part, a Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by providing holders of the Securities ("Holders") with not more than 10 nor less than five Business Days' (as defined in "Terms and Conditions of the Securities") notice prior to the relevant scheduled Distribution Payment Date. Any Distribution so deferred shall remain outstanding in full and constitute Arrears of Distribution (as defined in "Terms and Conditions of the Securities"). Each amount of Arrears of Distribution shall bear interest at the Distribution Rate as if it constituted the principal of the Securities and the amount of such interest ("Additional Distribution Amount") with respect to Arrears of Distribution shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution as described in "Terms and Conditions of the Securities — Distributions — Cumulative Deferral." The Issuer may further defer any Arrears of Distribution and Additional Distribution Amounts by complying with the foregoing notice requirements. The Issuer is not subject to any limits as to the number of times Distributions and Arrears of Distribution may be deferred. See "Terms and Conditions of the Securities — Distributions — Distribution Deferral."

If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Issuer shall not (a) declare, pay or make any dividends, distributions or other payments on, and will procure that no dividend, distribution or other payment is declared, paid or made on any of its Junior Obligations (as defined in "Terms and Conditions of the Securities") or its Parity Obligations (as defined in "Terms and Conditions of the Securities") (except in relation to Parity Obligations, on a pro-rata basis); or (b) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a pro-rata basis), in each case, (A) save that such restrictions shall not apply to actions taken in respect to an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants and (B) unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.

The Securities constitute direct and unsecured obligations of the Issuer which rank pari passu and without any preference among themselves and with any Parity Obligations. In the event of a Winding-Up of the Issuer, the rights and claims of the Holders in respect of the Securities are subordinated as provided in "Terms and Conditions of the Securities — Status and Subordination of the Securities."

The Securities are perpetual securities and have no fixed redemption date. The Issuer may redeem all, but not some only, of the Securities on the First Reset Date (as defined in "Terms and Conditions of the Securities — Definitions") or any Distribution Payment Date after the First Reset Date at their Redemption Amount (as defined in "Terms and Conditions of the Securities") on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant date for redemption). The Securities may be redeemed at the option of the Issuer in whole, but not in part only, (a) at their Redemption Amount if the Issuer has or will become obliged to pay material additional amounts as provided or referred to in Condition7 (Taxation) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in "Terms and Conditions of the Securities") or any political subdivision or any authority thereof which change or amendment becomes effective on or after May 14, 2017 and such obligation cannot be avoided by taking reasonable measures available to the Issuer and (b) at their Early Redemption Price (as defined in "Terms and Conditions of the Securities") upon the occurrence of: (i) any change or amendment to the Relevant Accounting Standard (as defined in "Terms and Conditions of the Securities") such that the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard; or (ii) a change in the equity classification ascribed to the Securities by Fitch Ratings Ltd. or its respective successors which results in a lower equity credit for the Securities than the equity credit assigned on the Issue Date. The Securities may be redeemed, in whole but not in part only, at the Issuer's option, (a) at their Special Redemption Price (as defined in "Terms and Conditions of the Securities"), if such redemption occurs before (but excluding) the First Reset Date or (b) at their Redemption Amount, if such redemption occurs on or after the First Reset Date, upon giving not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) to the holders of the Securities by reason of a Change of Control Triggering Event (as defined in "Terms and Conditions of the Securities"). See "Terms and Conditions of the Securities — Redemption."

If a Special Event (as defined in "Terms and Conditions of the Securities") has occurred and is continuing, the Issuer may, (without any requirement for the consent or approval of the Holders) and subject to the Issuer having satisfied the Trustee that the relevant provisions in "Terms and Conditions of the Securities" have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Holders (which notice shall be irrevocable), at any time either: (a) substitute all, but not some only, of the Securities for, or (b) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities (as defined in "Terms and Conditions of the Securities"), and the Trustee shall (subject to the relevant provisions in "Terms and Conditions of the Securities") agree to such substitution or variation.

For a more detailed description of the Securities, see the section entitled "Terms and Conditions of the Securities."

Investing in the Securities involves risks. See the section entitled "Risk Factors" beginning on page 18.

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Securities on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company or any of its associated companies (if any) or the Securities.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act). The Securities are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions."

It is expected that the delivery of the Securities will be made on or about May 31, 2017 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

The date of this information memorandum is May 24, 2017

TABLE OF CONTENTS

You should rely only on the information contained in this information memorandum. This information memorandum contains important information with respect to an investment in the Securities. We have not authorised any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this information memorandum is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the Securities, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under "Notice to Investors" in this information memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

This information memorandum may only be used in connection with an investment in the Securities. We have not authorised its use for any other purpose. This information memorandum may not be copied or reproduced in whole or in part. They may be distributed and their contents disclosed only to the prospective investor to whom this is provided. By accepting delivery of this information memorandum, you agree to these restrictions. See ''Transfer Restrictions'' in the information memorandum.

This information memorandum contains information provided by other sources that we believe are reliable. We cannot assure you that information from other sources is accurate or complete. This information memorandum summarises certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this information memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering and the Securities, including the merits and risks involved.

We are not making any representation to any purchaser of the Securities regarding the legality of an investment in the Securities by such purchaser under any legal, investment or similar laws or regulations. You should not consider any information in this information memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Securities.

You should contact us with any questions about this offering or for additional information to verify the information contained in this information memorandum. Neither the U.S. Securities and Exchange Commission nor any state securities commission nor any other regulatory authority has approved or disapproved of these securities nor have any of the foregoing authorities passed judgement upon or endorsed the merits of this offering or determined if this information memorandum is truthful or complete. Any representation to the contrary is a criminal offence.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this information memorandum, all translations from Renminbi amounts to U.S. dollar amounts were made at the rate of RMB6.9430 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2016, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK$7.7534 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2016. All such translations in this information memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate, or at all. All amounts converted into U.S. dollars contained in this information memorandum are unaudited and for reference purposes only. For further information relating to the exchange rates, see the section entitled "Exchange Rate Information."

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

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") which differ in certain respects from generally accepted accounting principles ("GAAP") in certain other jurisdictions. Unless the context otherwise requires, references to "2015" and "2016" in this information memorandum are to our financial years ended December 31, 2015 and 2016, respectively.

References to "average selling price" or "ASP" are to the average selling price on a gross basis, unless otherwise stated.

References to "CAGR" are to the compound annual growth rate.

References to "commercial property(ies)" are to the property(ies) designated for commercial use.

References to "completion certificate" are to the construction works completion inspection certificate (房屋建築工程竣工驗收備案表) issued by local urban construction bureaux or equivalent authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection.

References to “construction commencement permit” are to the construction works commencement permit (建築工程施工許可證) issued by local construction bureaux or equivalent authorities in China with respect to commencement of construction works.

References to “construction land planning permit” are to the construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaux or equivalent authorities in China with respect to planning of construction land.

References to “construction works planning permit” are to the construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaux or equivalent authorities in China with respect to planning of construction works.

References to “Corporate Bonds” are to our Public Corporate Bonds and Private Corporate Bonds, collectively.

References to “December 2014 Notes” are to our 9.75% Senior Notes due 2017 issued on December 8, 2014.

References to “Existing Notes” are to our June 2014 Notes, December 2014 Notes and January 2016 Notes collectively.

References to “GDP” are to the gross domestic product.

References to “GFA” are to the gross floor area; references to “leasable GFA” are to the GFA attributable to the land parcel for leasing and investment appreciation purposes; references to “saleable GFA” are to the GFA attributable to the land parcel for sale minus the GFA attributable to car parks, non-saleable areas and public areas; references to “total GFA” are to the GFA attributable to the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area and it generally includes mechanical and electrical services rooms, refuse rooms, water tanks, car parks, elevators and staircases. The figures for GFA are based on figures provided in or estimates based on relevant governmental documents, such as property ownership certificates, construction works planning permits, pre-sale permits, construction land planning permits, completion certificates, land use rights certificates or other relevant documents and includes saleable areas, non-saleable areas, car parks and public areas.

References to “January 2016 Notes” are to our 7.70% Senior Notes due 2020 issued on January 19, 2016.

References to “January 2017 Notes” are to our 5.75% Senior Notes due 2022 issued on January 3, 2017.

References to “June 2014 Notes” are to our 11.25% Senior Notes due 2019 issued on June 4, 2014.

References to “land bank,” “development projects,” “property projects” or “projects” refer to our property projects with land for which we have obtained land-use rights and property projects for which we have not obtained land-use rights but have entered into the land grant contracts or received successful tender auction confirmations.

References to “land grant contract” are to the state-owned land use right grant contract (國有土地使用權出讓合同) between a land user and the relevant PRC governmental land administrative authorities.

References to “land use rights certificate” are to the state-owned land use rights certificate (國有土地使用證), a certificate (or certificates, as the case may be) of the right of a party to use a parcel of land.

References to “LAT” are to the land appreciation tax, as defined in the PRC Provisional Regulations on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) of 1994 and its implementation rules.

References to “Logan Construction” are to Logan Construction Co., Ltd. (龍光工程建設有限公司), a non-wholly owned subsidiary of ours established in the PRC on March 22, 2005.

References to “Logan Real Estate” are to Logan Real Estate Holdings Co., Ltd. (龍光地產股份有限公司), a company established in the PRC on May 15, 2003 and one of our predecessors.

References to “May 2017 Notes” are to our 5.25% Senior Notes due 2023 issued on May 23, 2017.

References to “plot ratio” are to the ratio of the GFA (excluding floor area below ground) of all buildings to their site area.

References to “pre-sale permit” are to the commodity property pre-sale permit (商品房預售許可證) issued by a local housing and building administrative bureau or an equivalent authority with respect to pre-sale of the relevant properties.

References to “Public Corporate Bonds” are to a series of private corporate bonds issued by Shenzhen Logan in an aggregate principal amount of RMB6.4 billion (US$1.0 billion) to qualified investors in tranches with a tenor of four to five years and at a coupon rate of 3.4% to 5.0% per annum.

References to “property ownership certificate” are to the property ownership certificate (房屋所有權證) issued by relevant PRC government authorities with respect to the ownership rights of buildings.

References to “Private Corporate Bonds” are to a series of private corporate bonds issued by Shenzhen Logan in an aggregate principal amount of RMB6.0 billion (US$0.9 billion) to qualified investors in tranches with a tenor of three to five years and at a coupon rate of 5.15% to 5.8% per annum.

References to “public tender,” “auction,” or “listing-for-sale” are to the public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK$0.10, in our share capital.

References to “Shenzhen Logan” are to Shenzhen Logan Holding Co, Ltd., our wholly owned PRC subsidiary, formerly known as Shenzhen Youkaisi Investment Co., Ltd.

References to “sq.km.” are to square kilometres.

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

The site area information for an entire project is based on the relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements, depending on which documents are available. If more than one documents is available, such information is based on the most recent document available.

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

SUMMARY

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

OVERVIEW

We are a property developer in the PRC focusing on the residential property market, and our products are primarily targeted at first-time homebuyers and upgraders. We believe demand from such customers is less susceptible to fluctuations in property prices and thus provides stability to our business profile. In 2017, we were ranked as the 29th-largest property developer in the PRC by comprehensive strength.(1)

We have a land bank comprising land we acquired at competitive prices, and we strive to build our land bank by establishing and expanding our presence in economic regions which we believe hold high growth potential. As of December 31, 2016, we had a land bank with an aggregate GFA of 14.1 million sq.m., primarily comprising residential property projects with ancillary retail shops, as well as an office property project where our headquarters is located. As of December 31, 2016, approximately 50% of our land bank was located in the Pearl River Delta region, among which 40% of our land bank was located in Shenzhen; and approximately 16% and 26% of the land bank was located in Shantou and Nanning, respectively. We believe our current land bank will be sufficient to meet our development needs and will provide a solid foundation for our continuing growth and profitability for the next five to six years, based on our current projections and our historical sales and land development records.

We have established a replicable property development process, which is supported by our in-house departments and subsidiaries specialising in design and planning, construction, decoration, procurement, sales, customer services and each other major step in the property development process. We leverage our ability to build projects through Logan Construction, our own construction subsidiary, and our centralised and strategic procurement, quick development operation model and cost control over the whole property development process to optimise our costs, shorten development cycles, improve cash flow and maintain profitability. Through our strategic planning and disciplined property development process, we aim to achieve high asset revenue for our projects. We generally target commencing pre-sales of properties within six to 10 months of acquiring a parcel of land for a substantial majority of our projects.

As of December 31, 2016, we had completed a total GFA of over 15 million sq.m. Over the past 20 years, we have established ourselves as one of the leading developers focusing on residential properties in China's economically developed cities, regions and emerging areas, including, among others, Shenzhen and other cities located in the Pearl River Delta region, Shantou and Nanning. In 2017, our Group was recognised as a "2017 Top 100 Chinese Real Estate Developers—Top 10 in Profitability" jointly by the Enterprise Research Institute of Development Centre of the State Council of PRC (國務院發展研究中心企業研究所), the Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究所). We believe that our track record, together with the strength of our "Logan" (龍光) brand and the leadership and vision of our management team, positions us well to expand into other cities in the PRC. In 2015 and 2016, our revenue was RMB14,574.0 million and RMB20,538.8 million (US$2,958.2 million), respectively, and our net profit was RMB2,687.8 million and RMB5,199.9 million (US$748.9 million), respectively, for the same periods.

Note:

(1) The ranking is based on a joint evaluation by Enterprise Institute of the Development Research Centre of the State Council of China, Institute of Real Estate Studies of Tsinghua University and China Index Academy of the largest property developers in the PRC by comprehensive strength in 2017.

We have developed a diversified product portfolio which includes high-rise apartment buildings and low-rise garden apartments, among others, catering to the residential property market. We have developed two distinctive product styles, namely neoclassical and art deco, each of which comprises standardised designs for facades, interior designs and landscaping, as well as standardised parts and materials. We leverage our quick development operation model and our standardised control over each step of our property development process to ensure product and service quality, maintain and improve our future development and profitability.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are supported by a combination of the following key competitive strengths:

- we have a land bank comprising land we acquired at competitive prices concentrated in the economically developed Pearl River Delta region, which provides a solid foundation for our future growth and profitability;

- we have effective cost control over the entire property development process;

- we have established diversified funding channels and maintained prudent financial management;

- leveraging our considerable strength in various cities in southern China, we can readily expand into other high-growth regions; and

- we have a well-experienced management team and have established comprehensive human resources policies to support our future development.

BUSINESS STRATEGIES

We intend to grow and strengthen our business through the implementation of the following core business strategies:

- consolidate our market position in Guangdong and Guangxi Provinces, and selectively expand into other high-growth regions;

- maintain our competitiveness by focusing on producing high-quality, value-added properties for first-time homebuyers and upgraders;

- further attract, develop and retain managerial talents and further elevate managerial expertise; and

- continue implementing a high-efficiency operating philosophy to achieve a quick development operation model, further enhancing our operating results.

RECENT DEVELOPMENTS

Land Acquisition

Subsequent to December 31, 2016, we have entered into certain agreements in relation to the purchase of two parcels of land. The following table sets forth certain information concerning such land. We may continue to explore property development opportunities as we deem appropriate, by ourselves or through cooperation with third parties, in the Chinese or overseas markets in the future.

Time of acquisition	Location	Project	Attributable interest	Site area	Planned total GFA	Consideration		Type
			%	*sq.m.*	*sq.m.*	*RMB in millions*	*US$ in millions*	
February 14, 2017	Liuzhou	Liudong New District Business Centre (柳東新區商務中心)	100%	187,443	620,565	1,102.7	158.8	Residential and retail
February 24, 2017	Hong Kong	Ap Lei Chau	50%	11,761	42,480–70,800	14,832.4	2,136.3	Non-industrial

On February 24, 2017, the Hong Kong Lands Department announced that the tender for a site in Ap Lei Chau, Hong Kong, has been awarded to the highest tenderer, Unicorn Bay (Hong Kong) Investments Limited, an entity which will be indirectly held jointly by us and KWG Property Holding Limited, on a 50-year land grant at a premium of HK$16,855.78 million (RMB14,832.4 million). The site has a site area of about 11,761 sq.m. and is designated for non-industrial (excluding godown, hotel and petrol filling station) purposes. The minimum GFA and the maximum GFA are 42,480 sq.m. and 70,800 sq.m., respectively. We plan to fund our portion of the premium for the acquisition of the site with our internal and external funds, including bank loans for which we are currently in discussions with certain lenders. Such loans may or may not be granted and drawn down prior to the issuance of the Securities.

Proposed Redemption of June 2014 Notes

On May 18, 2017, we announced an announcement that we have informed the trustee and the holders of the June 2014 Notes that all of the outstanding June 2014 Notes will be redeemed in full on June 19, 2017.

GENERAL INFORMATION

We were incorporated in the Cayman Islands as an exempted company with limited liability on May 14, 2010. Our shares have been listed on the Hong Kong Stock Exchange since December 20, 2013. Our place of business in Hong Kong is at Unit Nos. 02–03A, Level 68, International Commerce Centre, 1 Austin Road West, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is http://www.loganestate.com. Information contained on our website does not constitute part of this information memorandum.

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more detailed description of the terms of the Securities, see "Terms and Conditions of the Securities." Capitalised terms used herein and not defined have the meanings given to them in the "Terms and Conditions of the Securities" set out in this information memorandum.

Issuer	Logan Property Holdings Company Limited (龍光地產控股有限公司).
Issue	US$350,000,000 in aggregate principal amount of Subordinated Perpetual Capital Securities.
Trustee	Citicorp International Limited
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citibank, N.A., London Branch
Issue Price	99.0 per cent. of the principal amount of the Securities.
Issue Date	May 31, 2017
Status and Subordination of the Securities	The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and *pari passu* with any Parity Obligations. In the event of the Winding-Up (as defined in as defined in "*Terms and Conditions of the Securities—Definitions*") of the Issuer, the rights and claims of the Holders in respect of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Obligations (as defined in as defined in "*Terms and Conditions of the Securities—Definitions*") of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer, other than the claims of holders of Parity Obligations (as defined in as defined in "*Terms and Conditions of the Securities—Definitions*") of the Issuer.

Set-off	Subject to applicable law, neither the Trustee nor any Holder may exercise, claim or plead any right of set-off, deduction, by the Issuer in respect of, or arising under or in connection with the Securities, and the Trustee has in the Trust Deed waived, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived, all such rights of set- off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to the Trustee or any Holder by the Issuer in respect of, or arising under or in connection with, the Securities is discharged by set-off, the Trustee or such Holder (as the case may be) shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator) and accordingly any such discharge shall be deemed not to have taken place.
Form and Denomination	The Securities will be issued in registered form in the denomination of US$200,000 and integral multiples of US$1,000 in excess thereof.
Clearing Systems	The Securities will initially be represented by beneficial interests in the Global Certificate, in registered form, deposited on or before the Issue Date with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. So long as the Securities are represented by the Global Certificate and Euroclear and Clearstream so permit, the Securities will be tradeable only in principal amounts of at least US$200,000 and integral multiples of US$1,000 in excess thereof. Except as described herein, individual certificates of Securities will not be issued in exchange for beneficial interests in the Global Certificate. See "*Summary of Provisions Relating to the Securities in Global Form*."
Distributions	Subject to Condition 4(d) (*Distributions—Distribution Deferral*), the Securities confer a right to receive distributions (each a "Distribution") from, and including the Issue Date at the applicable Distribution Rate. Distribution shall be payable on the Securities semi-annually in arrear on May 31 and November 30 each year (each, a "Distribution Payment Date"), with the first Distribution Payment Date falling in November 30, 2017.

Distribution Rate	The rate of distribution (the "Distribution Rate") applicable to the Securities shall be: (i) in respect of the period from, and including, the Issue Date to, but excluding, May 31, 2022 (the "First Reset Date"), 7.0 per cent. per annum; (ii) from and including, each Reset Date falling on and after the First Reset Date, to, but excluding, the immediately following Reset Date, up to the Reset Date falling on May 31, 2037 (the "Additional Step-up Margin Reset Date"), the applicable Treasury Rate plus 5.75 per cent. plus 0.25 per cent. per annum; (iii) from, and including, each Reset Date falling on and after the Additional Step-up Margin Reset Date, to, but excluding, the immediately following Reset Date, the applicable Treasury Rate plus 5.75 per cent. plus 0.25 per cent. plus 0.75 per cent. Per annum. *provided, in each case,* that in the event of the occurrence of a Change of Control (as defined in "*Terms and Conditions of the Securities—Redemption*"), if the Issuer does not elect to redeem the Securities within 30 days of a Change of Control Triggering Event in accordance with the provisions described under Condition 5(f) (*Redemption and Purchase —Redemption in the case of a Change of Control Triggering Event*) then the then prevailing Distribution Rate applicable to the Securities shall be increased by 3.0 per cent. per annum with effect from the next Distribution Payment Date (or, if the relevant event occurs on or after the date which is two Business Days (as defined in "*Terms and Conditions of the Securities—Definitions*") prior to the next Distribution Payment Date, the next following Distribution Payment Date).
Optional Deferral of Distributions ..	The Issuer may, at its sole discretion, elect to defer, in whole or in part, Distribution which is otherwise scheduled to be paid on a Distribution Payment Date (such date, an "Optional Distribution Payment Date") to the next Distribution Payment Date by giving notice (an "Optional Distribution Deferral Notice") to the Holders (in accordance with Condition 15 *(Notices)*) not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date (an "Optional Deferral Event").

Restrictions in the case of an Optional Deferral	If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Issuer shall not: (i) declare, pay or make any dividends, distributions or other payments on, and will procure that no dividend, distribution or other payment is declared, paid or made on any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to payments in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or (ii) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a pro-rata basis), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants, in each case, unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.
Arrears of Distributions	Any Distribution deferred pursuant to Condition 4(d) (*Distributions—Distribution Deferral*) shall constitute "Arrears of Distribution." Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Securities at the Distribution Rate. The Issuer may further defer any Arrears of Distribution by complying with the notice requirements applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can be deferred pursuant to Condition 4(d) (*Distributions—Distribution Deferral*) except that Condition 4(d)(iv) (*Distributions—Distribution Deferral— Cumulative Deferral*) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

	The Issuer may at its option satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 15 *(Notices)*), the Trustee and the Principal Paying Agent not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice). Any partial payment of outstanding Arrears of Distribution by the Issuer shall be paid to the Holder of all outstanding Securities on a *pro-rata* basis. The Issuer shall in any event satisfy any outstanding Arrears of Distribution relating to Optional Deferral (in whole but not in part and including any Additional Distribution Amount) on the earliest to occur of: (i) the next Distribution Payment Date falling immediately after a breach of Condition 4(d)(v) (*Distributions—Distribution Deferral—Restrictions in the case of an Optional Deferral*); (ii) the date on which the Securities are redeemed at the option of the Issuer upon an Optional Redemption; (iii) the date on which the Securities are redeemed at the option of the Issuer upon a Change of Control; (iv) the date on which the Securities are redeemed at the option of the Issuer in accordance with Condition 5(g) (*Redemption and Purchase—Redemption in the case of minimal outstanding amount*)); (v) the date of any substitution or variation in accordance with Condition 13 (*Substitution or Variation*); (vi) a Special Event Redemption Date; and (vii) the Winding-Up of the Issuer.
Expected Closing Date	May 31, 2017.
Maturity Date	There is no maturity date.
Redemption at the Option of the Issuer	The Securities may be redeemed at the Issuer's option in whole, but not in part only, on the First Reset Date or any Distribution Payment Date after the First Reset Date (each, a "Call Settlement Date") on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant Call Settlement Date) at their principal amount plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount).

Redemption upon a Taxation Event	The Securities may be redeemed at the Issuer's option in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Issuer satisfies the Trustee that: (i) the Issuer has or will become obliged to pay material Additional Amounts as provided or referred to in Condition 7 (Taxation) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after May 31, 2017; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due.
Redemption upon a Capital Event ..	The Securities may be redeemed at the Issuer's option in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their Early Redemption Price, if, immediately before giving such notice, the Issuer satisfies the Trustee that an amendment, clarification or change has occurred in the rules of S&P or Fitch or any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Securities than the equity credit assigned on the Issue Date.
Redemption upon an Accounting Event	The Securities may be redeemed at the Issuer's option in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their Early Redemption Price, if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any changes or amendments to HKFRS or any other accounting standards that may replace HKFRS for the purposes of the Issuer's consolidated financial statements (the "Relevant Accounting Standard"), the Securities must not or must no longer be recorded as "equity" pursuant to the Relevant Accounting Standard.

Redemption in the case of minimal outstanding amount	The Securities may be redeemed at the Issuer's option in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their Redemption Amount, if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 20 per cent. of the aggregate principal amount originally issued (including any further securities issued in accordance with Condition 14 (*Further Issues)*).
Redemption in the case of a Change of Control Triggering Event	The Securities may be redeemed, in whole but not in part, at the Issuer's option, at (1) their Special Redemption Price, if such redemption occurs before (but excluding) the First Reset Date or (2) if such redemption occurs on or after the First Reset Date, at their Redemption Amount, upon giving not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) to the holders of the Securities by reason of a Change of Control Triggering Event.
Limited Rights to Institute Proceedings	The right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(d) (*Distributions—Distribution Deferral*).
Proceedings for Winding-Up	Upon (i) an order being made or an effective resolution being passed for the Issuer's Winding-Up or (ii) the Issuer failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition (8)(d) (*Non-payment—Entitlement of Trustee*), institute (or the Make Whole Amount, if applicable) proceedings for the Issuer's Winding-Up and/or prove and/or claim in the Issuer's Winding-Up for the principal amount of the Securities together with any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities accrued to the day prior to the commencement of the Winding-Up.

Substitution or Variation	If a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 4 (Distributions) (without any requirement for the consent or approval of the Holders) and subject to the Issuer having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of Condition 13 (Substitution or Variation) have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 (Notices), the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and, notwithstanding any provision contrary in the Trust Deed, the Trustee shall (subject to the provisions of Condition 13 (Substitution or Variation) and subject to the receipt by it of a certificate of the Issuer's duly authorised officers) agree to such substitution or variation without any need for the consent or sanction of the Holders of the Securities.
Replacement Intention	The following paragraph in italics does not form part of the Terms and Conditions of the Securities: *The Issuer intends (without thereby assuming a legal obligation), during the period from (i) the Issue Date (in the case of (a) below) and (ii) the First Reset Date (in the case of (b) below) each case to and including the Additional Step-up Margin Reset Date, in the event of:* *(a) a redemption of the Securities at the option of the Issuer pursuant to Condition 5(b) (Redemption and Purchase—Redemption at the option of the Issuer) or upon a Withholding Tax Event pursuant to Condition 5 (Redemption and Purchase);* *(b) a repurchase of the Securities under Condition 5(i) (Redemption and Purchase—Purchase) of more than: (i) 10 per cent. of the aggregate principal amount of the Securities issued on the Issue Date in any consecutive 12 month period, or (ii) 25 per cent. of the aggregate principal amount of the Securities issued on the Issue Date in any consecutive 10-year period,*

if the Securities are assigned an "equity credit" (or such similar classification then used by Fitch) at the time of such redemption or repurchase, that it will redeem or repurchase the Securities only to the extent the Aggregate Equity Credit of the Securities at the time of issue to be redeemed or repurchased does not exceed the Aggregate Equity Credit received by the Issuer or any other Subsidiaries of the Issuer during the 365 day period prior to the date of such redemption or repurchase from certain securities offerings. Such offerings must involve the sale or issuance by the Issuer or any other Subsidiaries of the Issuer to third party purchasers other than the Issuer or any other Subsidiaries of the Issuer, of securities which are assigned by Fitch, at the time of sale or issuance, an "equity credit" that is equal to or greater than the equity credit assigned to the Securities at the Issue Date to be redeemed or repurchased (taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities).

The restrictions described above (the "Restrictions") shall not apply if on the date of such redemption or repurchase:

(a) the Issuer has a corporate credit rating from Fitch that is equal to or greater than the rating assigned to the Issuer by Fitch as at the Issue Date, and to the best knowledge of the Issuer, after giving effect to such redemption or repurchase, such rating will not be revised downward, withdrawn or placed on review or "creditwatch" with negative implications (or other similar review or change of outlook) by Fitch to levels below the rating assigned to the Issuer as at the Issue Date as a result of such redemption or repurchase; or

(b) the Issuer no longer has a corporate credit rating by Fitch; or

(c) a Special Event (other than a Withholding Tax Event) has occurred; or

(d) the Issuer or any Subsidiary of the Issuer has individually or in the aggregate, redeemed, cancelled or purchased the Securities equal to or in excess of 80 per cent. of the aggregate principal amount of the Securities issued on the Issue Date; or

(e) the statements made in the Restrictions set forth hereunder are no longer required for the Securities to be assigned an "equity credit" that is equal to or greater than the equity credit assigned by Fitch on the Issue Date; or

(f) *there shall have occurred a general moratorium on, or disruption in, commercial banking activities in the Cayman Islands or Hong Kong, by any Cayman Islands or Hong Kong authorities, which would, in the Issuer's sole opinion, be likely to materially prejudice dealings in the Securities in the secondary market.*

For the purpose of the Restrictions, "Aggregate Equity Credit" means the equity credit (as a percentage) assigned by Fitch of the relevant securities multiplied by the aggregate principal amount of such securities with respect to which the calculation is being made.

Rating	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. We cannot assure investors that these ratings will be confirmed or they will not be adversely revised or withdrawn either before or after delivery of the Securities.
Listing	Application will be made to the SGX-ST for the listing and quotation of the Securities on the SGX-ST. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies).
Use of Proceeds	See "*Use of Proceeds.*"
Selling Restrictions	The Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.
Governing Law	The Securities, the Trust Deed and the Agency Agreement, and any non-contractual obligations arising out of or in connection with them, will be governed by, and shall be construed in accordance with, Hong Kong law, except that the subordination provisions set out in Condition 2 (*Status and Subordination of the Securities*) and certain clauses of the Trust Deed relating to subordination shall be governed by, and construed in accordance with, Cayman Islands law.
Risk Factors	An investment in the Securities involves risk. See "*Risk Factors.*"
Clearance and Settlement	The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS1619838292 Common Code: 161983829

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our summary consolidated financial and other data. The summary consolidated statement of profit or loss data for the years ended December 31, 2015 and 2016 and the summary consolidated statement of financial position as of December 31, 2015 and 2016 set forth below (except for other financial data and US$ data) have been derived from our consolidated financial statements as of and for the years ended December 31, 2016, which are included elsewhere in this information memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operation. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from GAAP in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this information memorandum. The summary financial data below is qualified in its entirety by reference to our consolidated financial statements and the notes to those statements included elsewhere in this information memorandum.

The consolidated financial statements for the year ended December 31, 2016 were audited by KPMG and the auditor's report, which was reproduced on pages F-2 to F-10 in this information memorandum, was qualified in respect of the following matters:

(a) certain joint ventures incurred payments to third parties to fund the costs for the acquisition of certain urbanisation projects. These payments of approximately RMB900 million have been included in receivables as of December 31, 2016. However, KPMG have been unable to obtain sufficient audit evidence to ascertain the nature of these payments, and thus cannot satisfy themselves as to the appropriateness of accounting for these payments as receivables as of December 31, 2016.

(b) our Group has entered into capital contribution agreements with Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd. ("Pingan Dahua") in 2015 and 2016, pursuant to which Pingan Dahua has made capital contributions to two subsidiaries of our Group (Shenzhen Logan Junjing Real Estate Development Co., Ltd. (深圳市龍光駿景房地產開發有限公司) ("Shenzhen Logan Junjing") and Huizhou Daya Bay Dongzhen Property Co., Ltd. (惠州大亞灣東圳房地產有限公司) ("Huizhou Dongzhen"). As of December 31, 2016, Pingan Dahua contributed a total of RMB4,800 million and RMB3,960 million to Shenzhen Logan Junjing and Huizhou Dongzhen, respectively (2015: RMB2,800 million and nil, respectively). In 2016, Pingan Dahua received RMB2,086 million from our Group on the repurchase of Pingan Dahua's 49% interest in our subsidiary, Shenzhen Jinjun Property Co., Ltd. ("Shenzhen Jinjun"). These transactions have been accounted for as equity transactions whereby adjustments have been made to the amount of other reserves within controlling shareholders' interests and non-controlling interests in our consolidated financial statements as of December 31, 2016 and 2015. KPMG stated in their audit report that during their audit of the consolidated financial statements as of December 31, 2016, it came to their attention that certain agreements specified certain payments obligations by Shenzhen Logan Junjing and Huizhou Dongzhen to Pingan Dahua in connection with the above capital contributions. In KPMG's opinion, as the agreements contain obligations for our Group to repurchase its own equity instruments in certain circumstances, accounting for these transactions entirely as equity transactions is not in accordance with the requirements of Hong Kong Accounting Standard 32 *Financial Instruments: Presentation*. KPMG stated in their audit report dated March 30, 2017 on our consolidated financial statements for the year ended December 31, 2016 that they have been unable to quantify the financial effect of this departure as of the date of their audit report as they have been unable to satisfy themselves that they have a full understanding of the rights and obligations of both sides to the agreements and any other similar transactions accounted for as equity transactions in our Group's consolidated financial statements as of December 31, 2016 and 2015. KPMG further stated that any adjustments to these amounts would affect the amount of liabilities and net assets we reported as at those dates and may affect the profit recognised for the years then ended.

As a result of the qualifications described above, the relevant balances as of and for the years ended December 31, 2015 and 2016 may be impacted.

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER FINANCIAL DATA

	For the year ended December 31,		
	2015	2016	
	RMB	*RMB*	*US$*
	(in thousands, except for percentages)		
Revenue	14,574,010	20,538,838	2,958,208
Direct costs	(10,143,907)	(13,979,010)	(2,013,396)
Gross profit	4,430,103	6,559,828	944,812
Other revenue	134,635	423,523	61,000
Other expenses	(144,029)	(196,327)	(28,277)
Selling and marketing expenses	(573,138)	(714,249)	(102,873)
Administrative expenses	(587,839)	(556,700)	(80,181)
Net increase in fair value of investment properties	943,057	2,681,903	386,274
Net increase in fair value of derivative financial instruments	6,936	81,720	11,770
Share of profit of an associate	—	31,723	4,569
Share of losses of joint ventures	—	(6,137)	(884)
Profit from operations	4,209,725	8,305,284	1,196,210
Finance costs	(36,215)	(371,850)	(53,558)
Profit before taxation	4,173,510	7,933,434	1,142,652
Income tax	(1,485,692)	(2,733,551)	(393,713)
Profit for the year	2,687,818	5,199,883	748,939
Attributable to:			
—Equity shareholders of the Company	2,649,279	4,487,736	646,368
—Non-controlling interests	38,539	712,147	102,571
Profit for the year	2,687,818	5,199,883	748,939
Other financial data:			
EBITDA(1)	3,873,696	6,584,236	948,327
EBITDA margin(2)	26.6%	32.1%	32.1%

Notes:

(1) EBITDA for any period consists of profit from operations less changes in fair value of investment properties, and other borrowing costs included in finance costs plus capitalised interest included in direct costs and depreciation expenses included in administrative expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for a reconciliation of our profit from operations under HKFRS to our definition of EBITDA.

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

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,		
	2015	2016	
	RMB'000	*RMB'000*	*US$'000*
Non-current assets			
Investment properties	6,117,500	11,890,879	1,712,643
Other property, plant and equipment	165,622	184,317	26,547
	6,283,122	12,075,196	1,739,190
Deferred tax assets	385,210	273,500	39,392
Interest in joint ventures and an associate	—	15,404,313	2,218,683
Restricted and pledged deposits	343,065	227,304	32,739
	7,011,397	27,980,313	4,030,003
Current assets			
Inventories	28,198,344	40,197,099	5,789,586
Trade and other receivables	10,025,722	2,943,357	423,932
Tax recoverable	402,045	810,941	116,800
Assets under cross-border guarantee arrangements	286,600	—	—
Restricted and pledged deposits	2,212,300	1,010,172	145,495
Cash and cash equivalents	8,635,258	13,559,827	1,953,021
	49,760,269	58,521,396	8,428,834
Current liabilities			
Trade and other payables	16,969,129	23,919,327	3,445,100
Liabilities under cross-border guarantee arrangements	286,600	—	—
Bank and other loans	4,044,885	3,370,501	485,453
Senior Notes	—	1,747,637	251,712
Tax payable	1,320,647	2,017,405	290,567
	22,621,261	31,054,870	4,472,832
Net current assets	27,139,008	27,466,526	3,956,003
Total assets less current liabilities	34,150,405	55,446,839	7,986,006
Non-current liabilities			
Bank and other loans	7,117,037	11,707,510	1,686,232
Corporate bonds	5,000,000	12,400,000	1,785,971
Senior notes	3,588,720	3,960,889	570,487
Deferred tax liabilities	983,731	1,627,094	234,350
	16,689,488	29,695,493	4,277,041
NET ASSETS	17,460,917	25,751,346	3,708,965
CAPITAL AND RESERVES			
Share capital	439,821	434,591	62,594
Reserves	13,108,958	18,992,258	2,735,454
Total equity attributable to equity shareholders of the Company	13,548,779	19,426,849	2,798,048
Non-controlling interests	3,912,138	6,324,497	910,917
TOTAL EQUITY	17,460,917	25,751,346	3,708,965

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

RISKS RELATING TO OUR BUSINESS

We are heavily dependent on the performance of and policies affecting the PRC property market, particularly in Guangdong Province

Our business and prospects depend heavily on the performance of and policies affecting the PRC property market. Any housing market downturn or policy change in the PRC generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. Most of our property developments are located in Guangdong Province and Guangxi Province. Sales of residential property projects in Guangdong Province and Guangxi Province accounted for the majority of our revenue from sales of properties in 2015 and 2016. Going forward, we intend to maintain our focus on the property markets in Guangdong and Guangxi Provinces, while selectively increasing our presence in other markets in the PRC which we believe have high growth potential, including the Chengdu-Chongqing and Bohai Bay economic regions. As such, our business is and may continue to be heavily dependent on the continued growth of the property market in Guangdong and Guangxi Provinces and any adverse developments in the supply and demand or decline in property prices in Guangdong and Guangxi Provinces would have an adverse effect on our results of operations and financial condition. In addition, future demand for different types of residential properties is uncertain. If we fail to respond to changes in market conditions or customer preferences in a timely manner or at all, our business, financial condition and results of operations will be adversely affected.

The PRC property market is affected by many factors, including changes in the PRC's social, political, economic and legal environment, changes in the PRC government's fiscal and monetary policy, the lack of a mature and active secondary market for residential and commercial properties and the relatively limited availability of mortgage loans to individuals in the PRC. Demand for residential properties in the PRC, particularly in Guangdong Province, has grown significantly in recent years, but such growth is often coupled with volatility in market conditions and fluctuations in property prices. In particular, China's property market is affected by the recent slowdown in China's economic growth, with China's yearly real GDP growth rate decreasing from 6.9% for 2015 to 6.7% for 2016. A number of factors have contributed to China's economic slowdown, including the appreciation of the Renminbi and the tightening macroeconomic measures and monetary policies adopted by the PRC government aimed at preventing the overheating of China's economy, controlling China's high level of inflation, and stabilising the growth of specific sectors, including the property market. Due in large part to such control measures, including home purchase restrictions and credit tightening policies, property markets in certain cities had experienced decreases in both trade volume and sale prices in recent periods. We cannot assure you that property sales will return to past levels or that we will be able to benefit from any future growth in the property market in Guangdong Province or elsewhere in the PRC. Any further decline in property sales or decrease in property prices in the PRC generally or in the regions where we have property developments could have a material adverse effect on our business, financial condition and results of operations.

Additionally, the People's Bank of China (the "PBOC") increased the benchmark one-year lending rate three times in 2011, and subsequently decreased the benchmark one-year lending rate. On August 26, 2015, the PBOC lowered the benchmark one-year bank lending rate to 4.60%, and on October 24, 2015, the PBOC further lowered the benchmark one-year bank lending rate to 4.35%. The benchmark one-year bank lending rates published by the PBOC for the years ended December 31, 2015 and 2016 were 4.35% and 4.35%, respectively. The PBOC may further increase or decrease the benchmark one-year lending rate in the future. Increases in interest rates may increase our finance costs and make mortgage financing more expensive for our potential customers, which may in turn have a material adverse effect on our business, financial condition and results of operations. Any other adverse developments in national and local economic conditions as measured by factors such as inflation, employment levels, job growth, consumer confidence and population growth, particularly in the regions where we operate, may affect demand for our projects and would have a material adverse effect on our business, financial condition and results of operations.

The global economic slowdown and financial crisis have negatively affected, and may continue to negatively affect, our business

The global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 have resulted in a general tightening of credit, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The global economic slowdown has also had a negative impact on property markets and property prices in the PRC. For example:

- the economic slowdown and credit tightening measures have reduced the demand for residential and commercial properties and resulted in a reduction of property prices; and

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

In addition, recent global market and economic conditions, including the European sovereign debt crisis, the United States credit rating downgrade, and heightened market volatility in major stock markets, have been unprecedented and challenging. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, the willingness of potential property purchasers to purchase our properties, which may lead to a decline in the general demand for our projects and decrease in their selling prices. In addition, any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, financial condition and results of operations could be materially and adversely affected.

If we expand into new markets, we may not be able to replicate the success we have achieved in our core markets or successfully manage our expanded operations

We have been expanding our operations in recent years and may continue expanding. We continue to focus our business on our core markets in Guangdong Province and Nanning, the largest city in Guangxi Province, where the majority of our projects are located. We may expand into new markets to seize market opportunities in both the Chinese and overseas markets as we deem appropriate in the future. However, our experience in our core markets and quick development operation model may not be readily transferable to other regions. Markets in other regions may differ from our core markets in terms of customer tastes, behaviour and preferences. We will have limited ability to leverage our established brands and reputation in these new markets in the way that we have done in our core markets. Furthermore, the administrative, regulatory and tax environment in such regions may differ substantially from those in our core markets, and we may face additional expenses or difficulties in adapting to such procedures and complying with such environments. In addition, as we enter new markets, we may not have the same level of familiarity with local contractors, suppliers and other business partners, business practises and customs as we do in our core markets, and we may face higher costs and more intense competition from established property developers with experience in those markets.

If we expand into new markets, we will have to continue to improve our managerial, technical and operational knowledge and allocation of resources. To effectively manage our expanded operations, we will need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements, including staff with local market knowledge. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion, if any, will not adversely affect our existing operations and thereby would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain adequate funding or capital on commercially favourable terms for land acquisitions or property developments

The property development business in the PRC is capital intensive. During 2015 and 2016, our liquidity requirements arose principally from the acquisition of land for and development of our property development projects. During the same periods, our principal sources of funds to finance our working capital, capital expenditures and other capital requirements were bank loans, internally generated cash flows (including proceeds from the pre-sales and sales of our projects) and funds raised from capital markets, such as our offering of the Existing Notes and Corporate Bonds. In the future, we expect to continue to finance the development of our projects using such means. However, we cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. As of December 31, 2016, our outstanding long-term and short-term bank and other loans (excluding the Existing Notes and Corporate Bonds) were RMB11,707.5 million (US$1,686.2 million) and RMB3,370.5 million (US$485.5 million), respectively. Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. The PRC government has in recent years taken a number of policy initiatives in the financial sector to further tighten lending requirements for property developers. For more information, please see the section entitled "—Risks relating to Property Development in the PRC—The PRC property market is heavily regulated and subject to PRC government policies, regulations and measures intended to discourage speculation in the property market."

In addition, the PBOC regulates and continually adjusts the lending rates and reserve requirement ratios for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks for property developers and leveraged property buyers.

We expect that increases in interest rates and reserve requirement ratios, if any, would increase our finance costs in general. Our interest expenses on bank and other loans in 2015 and 2016 were RMB1,132.8 million and RMB903.4 million (US$130.1 million), respectively. We currently do not hedge our interest rate risk. Although we may do so in the future, we cannot assure you that such hedging will be sufficient to offset our interest rate risk. Any further increases in interest rates on our bank borrowings, including as a result of interest rate increases by the PBOC, could have a material adverse effect on our business, financial condition and results of operations.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. In November 2009, the PRC government raised the minimum down payment of land premiums to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at no less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant transaction is closed, and the down payment of 50% of the land premium is to be paid within one month of the signing of the land grant contract, with the balance to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. Such policies may constrain our cash otherwise available for additional land acquisitions and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments.

We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources or increase our finance costs. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to business risks if our project companies fail to obtain or renew their qualification certificates.

A property developer in the PRC must obtain a provisional qualification certificate or qualification certificate in order to carry out the business of property development in the PRC. See "Regulation". Some of our subsidiaries do not obtain or renew their qualification certificates for the reasons that either they are not currently developing property projects or they have already completed or suspended the property projects. However, we cannot assure you that they could successfully obtain or renew their qualification certificates when they are intending to develop and operate any property project. Besides, two newly established subsidiaries are now in the process of applying for the provisional qualification certificates, which are planned to be issued before the operation of the property projects. As to the qualification certificates that have been or to be expired, we have already applied or plan to apply for the extension of validity or the renewal of the certificates, but we cannot assure you to extend in time. The failure to get the qualification certificates will limit our subsidiaries from engaging in the development and operation of property, which could have a material adverse impact on our results of operations, financial condition and business prospects.

We may not be able to obtain land use rights certificates or other requisite government approvals or registrations for our current projects or for projects we may acquire in the future

The property development industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements provided by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licences, certificates and approvals from the relevant authorities at various stages of the property development process, including land use rights certificates, construction land planning permits, construction works planning permits, construction commencement permits, pre-sale permits and completion certificates. Each approval or renewal is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfiling the conditions necessary for the approvals, or that we will be able to adapt ourselves in a timely and effective manner to new laws, regulations or policies that may come into effect from time to time with respect to the property development industry. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite government approvals or renewals, the schedule of development and sales of our developments could be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

In particular, in order to develop and sell properties in the PRC, property developers are required to obtain land use rights certificates from the relevant government authorities. The land use rights certificate in respect of a piece of land will not be issued until the developer has entered into a land grant contract with the relevant authorities, made full payment of the land premium and complied with the land use rights and any other land grant conditions.

As of the date of this information memorandum, we have obtained the land use rights certificates for all of our projects, except in respect of Liudong New District Business Centre (柳東新區商務中心) and Dong Hai'an Xincheng Group E (東海岸新城E組團). However, we cannot assure you that the Ministry of Land and Resources or its local branches will grant us the appropriate land use rights certificate in respect of these land parcels or any land we may acquire in the future in a timely manner, or at all, in the event of force majeure or governmental acts. If we cannot obtain land use rights certificates in respect of these land parcels or any land we may acquire in the future, we may not be able to construct, lease or sell the relevant projects which could have a material adverse impact on our results of operations, financial condition and business prospects.

We have entered into numerous agreements with various government authorities with the intention to facilitate obtaining the land use rights certificates for certain parcels of land located in China. Under relevant PRC laws and regulations, we are required to fully pay the land premium under these contracts before we will be able to obtain the relevant land use rights certificates. There are risks with respect to the enforcement of these agreements, particularly in light of their relatively long execution periods, in some cases, and potential changes in PRC government policies. There can be no assurance that PRC government policies related to our projects will not change in the future or that there will not be changes in the manner of the implementation of these agreements. Further, there can be no assurance that there will not be modifications to these agreements as to terms that are favourable to us, including changes in the price of the land use rights to the land parcel concerned. In addition, the law and practise relating to the enforcement of contracts and agreements against PRC government entities involve uncertainty, and there can be no assurance that title to the land parcels subject to these agreements will be eventually obtained. If any of these agreements is not implemented as agreed, our business, financial condition and results of operations may be materially and adversely affected.

A default under any of our lending or financing agreements could result in enforcement against the security we have granted

We have maintained a significant level of indebtedness, a substantial portion of which is primarily secured by our legal interests in various properties and buildings. As of December 31, 2015 and 2016, our total current and non-current borrowings, which included our bank and other loans (excluding the Existing Notes and Corporate Bonds), were RMB11,161.9 million and RMB15,078.0 million (US$2,171.7 million), respectively, and our current ratio was 2.2 and 1.9, respectively, calculated by dividing our current assets by our current liabilities as of December 31, 2015 and 2016.

We cannot assure you that we will be able to generate sufficient cash flow from operations to meet our payment obligations under our current outstanding debt. If we are unable to make scheduled payments in connection with our debt and other payment obligations as they become due, we may need to re-negotiate the terms and conditions of such obligations or to obtain additional equity or debt financing, failing which we may default on such repayment or other obligations. We cannot assure you that any such renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk or otherwise and we fail to raise financing through other means, we may breach our repayment or other obligations. In the event of a default, our lenders can enforce their rights against us, including enforcing their rights against our pledged collateral and other security under the relevant financing agreements.

We cannot assure you that we will be able to continue meeting all of our obligations under the bank and other loans. We also cannot assure you that the assets we have pledged to our lenders or trust financing companies will not be subject to enforcement actions, in which case we may lose control and ownership of a number of projects and our business, financial condition and results of operations may be materially and adversely affected.

Changes in the fair value of our investment properties may have a significant impact on our results of operations

As of December 31, 2015 and 2016, we had investment properties of RMB6,117.5 million and RMB11,890.9 million (US$1,712.6 million), respectively. We are required to reassess the fair value of our investment properties on every balance sheet date for which we issue financial statements. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated income statements in the period in which they arise. You should note that the fair value gains or losses in our investment properties represent unrealised capital gains and do not change our cash position as long as the relevant investment properties are held by us and, therefore, do not increase our liquidity in spite of the increased profit. In 2015 and 2016, our net profit margins which is based on profit for the year divided by revenue for such year and multiplied by 100% were 18.4% and 25.3%, respectively, reflecting net increases in the fair value of our investment properties of RMB943.1 million and RMB2,681.9 million (US$386.3 million), respectively. Our net profit margins (excluding changes in fair value of investment properties and derivatives and the relevant deferred taxes)[1] in 2015 and 2016 were 13.6% and 15.1%, respectively. The amount of revaluation adjustments has been, and continues to be, subject to market fluctuations. We cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the previous levels or at all, or that the fair value of our investment properties will not decrease in the future. In addition, the fair value of our investment properties may materially differ from the amount we will receive in actual sales of the investment properties. Any significant decreases in the amount we receive in actual sales of our investment properties would materially and adversely impact our results of operations.

The illiquidity of property investments and the lack of alternative uses for investment properties could limit our ability to respond to adverse changes in the performance of our properties

As at December 31, 2016, we had 22 investment properties with a total GFA of approximately 460,544 sq.m. As of December 31, 2015 and 2016, the fair value of our investment properties was RMB6,117.5 million and RMB11,890.9 million (US$1,712.6 million), respectively. We expect to increase our investment property portfolio in the future. Any form of real estate investment is illiquid and, as a result, our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We also cannot predict the length of time needed to find purchasers to purchase such investment properties. In addition, we may also need to incur capital expenditure to manage and maintain our properties, or to correct defects or make improvements to these properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all.

Furthermore, ageing of investment properties, changes in economic and financial conditions or changes in the competitive landscape in the PRC property market may adversely affect the amount of rentals and revenue we generate from, as well as the fair value of, our investment properties. However, our ability to convert any of our investment properties to alternative uses is limited as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that such approvals and financing can be obtained when needed. These and other factors that impact our ability to respond to adverse changes in the performance of our investment in properties may adversely affect our business, financial condition and results of operations.

A deterioration in our brand image could adversely affect our business

We regard the "Logan" brand name and the related trademarks and devices we use as important assets to our business. Any negative incident or negative publicity concerning us or our property developments could adversely affect our reputation and business. Brand value is based largely on subjective consumer perceptions and can be damaged even by isolated incidents that degrade consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience in each of our complexes, or if we are perceived to act in an unethical or socially irresponsible manner. In addition, any unauthorised use or infringement of our brand name may impair the value we have built in our brand name, damage our reputation and materially and adversely affect our business, financial condition and results of operations.

Note:

(1) The calculation of net profit margin (excluding changes in fair value of investment properties and the relevant deferred taxes) is based on profit for the year (excluding changes in fair value of investment properties and the relevant deferred taxes) divided by revenue for such year and multiplied by 100%.

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

We may, from time to time, be involved in disputes and claims with various parties involved in the development and the sales of our properties, including contractors, suppliers, construction companies, business or joint venture partners and purchasers. These disputes and claims as well as media coverage and public statements that assert some form of inappropriateness in our products and services may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities. Purchasers of our properties may take legal action against us if our developed properties are perceived to be inconsistent with our representations and warranties made to such purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, in respect of which we may face administrative proceedings and unfavourable decisions that may result in liabilities and cause delays to our property developments. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition and results of operations.

We guarantee the mortgage loans provided to our customers and consequently are liable to the mortgagee banks if our customers default on their mortgage payments

As we pre-sell properties before their actual completion of construction, in accordance with industry practise, banks require us to guarantee our customers' mortgage loans. Typically, we guarantee mortgage loans taken out by our customers until we complete the development of the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to our customers followed by the completion of the mortgage registration procedures. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgage bank may auction the underlying property and recover any shortfall from us since we are the guarantor of the mortgage loans. In line with industry practise, we do not conduct any independent credit cheques on our customers and rely on the credit evaluations of mortgage banks.

As of December 31, 2016, our outstanding guarantees in respect of our customers' mortgage loans were RMB9,806.2 million (US$1,412.4 million). Should any material default occur and if we are called upon to honour our guarantees, our business, financial condition and results of operations could be adversely affected.

We may not be able to obtain land that is suitable for property development or maintain our land bank at a cost comparable to our historical cost level

To maintain and grow our business in the future, we will be required to continually replenish and increase our land bank with suitable land for development at commercially acceptable prices. Our ability to identify and acquire suitable land is subject to a number of factors, some of which are beyond our control. We must identify land that has potential for future development ahead of our competitors. However, we cannot assure you that the land identified and acquired by us will be suitable for development or offer the return we desire.

During 2015 and 2016, we primarily acquired land through participation in the government public tender, auction or listing-for-sale land grant process and through the acquisition of property development companies or land use rights from other developers. The availability and price of land sold depend on factors beyond our control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels pursuant to specific regulations. All these measures further intensify the competition for land in China among property developers. As we expect our cost of acquiring land use rights to further increase in the future, our gross profit margin and our ability to maintain our land bank at a cost comparable to our historical cost level may be materially and adversely affected. If we fail to obtain suitable land for development at commercially acceptable prices that allow us to achieve reasonable returns upon sales of properties, the benefits we have enjoyed from having a land bank comprising land we acquired at competitive prices may not recur in the future, and our business, financial condition and results of operations will be materially and adversely affected as a result.

We may not be able to successfully complete projects that we are currently developing, or plan to develop, in a timely manner or at all

At any point in the planning or development of a project, we could face, among other things, regulatory changes, financing difficulties, inabilities or difficulties in obtaining the required government approvals or government-mandated changes in our property development business, any of which could delay, increase the cost of, or prevent the completion of any such projects. We may also delay or revise our plans for property developments due to a variety of factors, including changes in market conditions, a shortage or increase in the prices of construction materials, equipment or labour, labour disputes or disputes with our contractors and subcontractors. We may commit significant time and resources to a project before determining that we are unable to complete it successfully, which could result in a loss of some or all of our investment in such project. If the delivery 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 proposed sale and purchase contract, reclaim the deposit and claim damages. If we are unable to complete projects as planned, this may materially and adversely affect our business, financial condition and results of operations.

In addition, we have built and continue to build large-scale property development projects. Large-scale property development projects in general require substantial capital expenditures and we may incur significant costs in order to acquire the land and develop properties for these large-scale projects. We cannot assure you that our existing or future large-scale developments will be successful or that any such development will not encounter difficulties that may result in significant losses to our investment in such developments or costs relating to damages to purchasers, any of which could materially and adversely affect our business, financial condition and results of operations.

The auditor's report for our consolidated financial statements as of and for the year ended December 31, 2016 was qualified.

On March 30, 2017, KPMG, an independent auditor, issued an auditor's report for our consolidated financial statements as of and for the year ended December 31, 2016, which was qualified in certain aspects. See "Summary Consolidated Financial and Other Data" and the independent auditor's report for our consolidated financial statements as of and for the year ended December 31, 2016 included elsewhere in this information memorandum. Our financial results would have been different if we needed to adjust the items on which KPMG had qualified its auditor's report. Therefore, you should not unduly rely on such items as presented in our consolidated financial statements as of and for the year ended December 31, 2016.

We are exposed to risks relating to pre-sales of properties

We depend on cash flows from pre-sales of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sales of properties and may use pre-sales proceeds to finance only the developments wherein such properties are located. In the past several years, a number of government authorities and officials have proposed to limit or abolish the pre-sales of properties. These recommendations have not been adopted by the PRC government and have no enforceability. However, we cannot assure you that the PRC government will not ban or implement further restrictions on the pre-sales of properties, such as imposing additional conditions for pre-sale permits or further restrictions on the use of pre-sales proceeds. Any such measure will adversely affect our cash flows and force us to seek alternative sources of funding for our property development business.

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

Under current laws and regulations, we are required to submit the requisite registration applications in connection with our property developments, including the land use rights certificate, construction land planning permit, construction works planning permit, construction commencement permit and completion certificate, to the local house registration authority after the relevant properties are completed and apply for the general property ownership certificates in respect of the properties. The house registration authority shall record the registration information or reject the registration within 30 business days. We cannot assure you that we will not experience any unanticipated delays in obtaining such ownership certificates. In the case that a late delivery of any individual property ownership certificate is due to delays that are deemed to be caused by us, the purchaser would be able to terminate the property sales and purchase contract, reclaim the payment and claim damages, any of which could materially and adversely affect our business, financial condition and results of operations.

Since we recognise our sales revenues only upon delivery of the properties sold, our operating results depend on the timing of completion of our projects and may not be representative of our future performance

We experienced significant revenue growth in 2015 and 2016. In 2015 and 2016, our revenue was RMB14,574.0 million and RMB20,538.8 million (US$2,958.2 million), respectively, and we had net profit attributable to our equity shareholders of RMB2,649.3 million and RMB4,487.7 million (US$646.4 million), respectively. Since we recognise proceeds from the sales of a property as revenue only upon the delivery of the property, our revenue and profit during any given period is affected by the quantity of properties delivered during that period. The quantity of properties delivered is largely a result of our property delivery schedule and may not be indicative of the actual demand for our properties or sales achieved during that period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers at some significant time in the past, typically at least in the prior fiscal period. Furthermore, fluctuations in our operating results may also be caused by other factors, including fluctuations in expenses such as land premiums, development costs, administrative expenses, selling and marketing expenses and changes in market demand for our properties. As a result, we believe that our operating results for any period are not necessarily indicative of results that may be expected for any future period, nor can we assure you that we will grow at a high rate, or at all, or that we will not experience a decrease in revenue. In addition, the cyclical property market of the PRC affects the optimal timing for the acquisition of land, the plan of development and the sales of properties. This cyclicality, combined with the lead time required for the completion of projects and the sales of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from period to period.

We rely on independent contractors and other third parties for construction, labour, engineering subcontracting, design, property management, sales and other key aspects of our property development business

While we generally act as general contractor for our property development projects and conduct most of our engineering, design, sales management, marketing and customer service in-house, we rely on independent contractors to provide certain services relating to our projects, including construction, labour, engineering subcontracting, design, property management and sales. We cannot assure you that the services rendered by any of these independent contractors will always be satisfactory or meet our requirements for quality and safety. If the performance of any independent contractor is unsatisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects. Moreover, we may incur additional costs due to a contractor's financial or other difficulties that may affect their ability to carry out the work for which they have been retained. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

If the performance of any of such independent contractors or third parties is not satisfactory to our customers, our reputation may suffer, which may adversely affect our business, financial condition and results of operations. In addition, a serious dispute with such independent contractors or third parties that we are unable to resolve could result in costly legal proceedings and therefore have a material adverse effect on our business, financial condition and results of operations. Furthermore, an increase in the cost of labour used by our contractors and other third parties engaged in our business may eventually be passed on to us in the form of higher contract fees at the time new contracts are entered into. Finally, because of our reliance on third parties, we have limited control over the costs related to the services they provide.

Our profit margin is sensitive to fluctuations in construction costs

Construction costs constitute one of the main components of our direct costs. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs, especially the costs of steel and concrete, have been the principal driver of the construction costs of our property development projects. Construction costs may fluctuate as a result of the price volatility of construction materials such as steel and concrete. We currently do not, and do not expect to in the future, engage in commodities hedging activities. In line with industry practise, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to re-negotiate existing construction contracts to top up payments to, or receive refunds from, the contractors, depending on the price movement. Our profit margin is sensitive to changes in the market prices for construction materials and, as a result, our profit margins may be adversely affected.

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

We have developed certain projects jointly with other entities through joint ventures or cooperation agreements and may choose to develop projects through such arrangements in the future. See the section entitled ''Business—Our Property Projects—Description of Our Projects.''

Our joint venture partners or project development partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfil their obligations under the relevant joint venture or cooperation agreements; or
- have financial difficulties.

Additionally, a disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. Our joint venture partners or project development partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise. A serious dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and results of operations.

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. See the section entitled ''—Risks relating to Our Business—We may be involved in legal and other disputes and claims from time to time arising out of our operations and may face significant liabilities as a result.''

In the event that we encounter any of the foregoing problems with respect to our joint venture partners or project development partners, our business, financial condition and results of operations may be materially and adversely affected.

We may suffer losses and be subject to liabilities that are not sufficiently covered, or covered at all, by insurance

We do not maintain insurance coverage on our properties developed for sale other than with respect to those developments over which our lending banks have security interests, or for which we are required to maintain insurance coverage under the relevant loan agreements. We also do not require the construction companies we engage to maintain insurance coverage on our properties under construction. We cannot assure you that we will not be sued or held liable for damages due to liability from any related tortious acts. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we suffer from any such losses, damages or liabilities in the course of our operations and property development, we may not have sufficient funds to cover any related losses, damages or liabilities or to repair, replace or reconstruct any property developments that have been damaged or destroyed. Any payment we make to cover related losses, damages or liabilities could have a material adverse effect on our business, financial condition and results of operations.

PRC tax authorities may challenge the basis on which we calculate our LAT obligations

Under PRC tax laws and regulations, our income from the sales of land use rights and buildings or related facilities on such land is subject to LAT. LAT is payable at progressive rates ranging from 30% to 60% of the appreciation in value, representing the balance of the proceeds received on such sales after deducting certain items, including payments made for the acquisition of land use rights, direct costs and expenses of the development of the land and construction of the buildings and structures tax related to the transfer of land use rights and properties, and other deductions prescribed by the Ministry of Finance. An exemption from payment of LAT may be available if (i) the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law, or (ii) the land and properties are recalled and requisitioned by the PRC government pursuant to applicable law for construction purposes.

On December 28, 2006, the State Administration of Taxation issued the Notice on the Relevant Issues on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》). This Notice came into effect on February 1, 2007 and provided further clarity on when LAT becomes payable with respect to real estate development projects. First, the Notice specifies that taxpayers are required to settle LAT for each real estate project developed, or if the project is developed in stages, for each stage of the project. Second, it provides that LAT will be imposed on taxpayers upon the occurrence of the following events: (i) when a real estate development is completed and completely sold; (ii) when an unfinished real estate development project without the final accounting of revenue and expenditure is transferred as a whole to a third party; or (iii) when the taxpayer's land use right is directly transferred. Finally, it provides that LAT may be imposed on taxpayers upon the occurrence of the following additional events: (i) where a real estate development that has been completed and its transfer is approved, if the area transferred is greater than 85% of the total saleable area of the development, or, if the area transferred is less than 85%, where the retained area is leased or used by the developer; (ii) where the sale of a real estate development has not been finished after three years from the date that the sales or pre-sales permit was obtained; (iii) where a taxpayer applies to write off its tax registration but has not yet settled LAT; or (iv) where there are other circumstances as prescribed by the provincial tax authorities.

We have estimated and made full provisions for LAT in accordance with the applicable requirements set forth in the relevant PRC tax laws and regulations. Our provision for LAT for 2015 and 2016 was RMB563.0 million and RMB971.6 million (US$139.9 million), respectively. Our current provisions for LAT are based on our management's best estimates according to their understanding of the requirements discussed above. However, actual LAT liabilities are subject to determination by the tax authorities upon the completion of the property development projects and PRC tax authorities may not agree with the basis on which we have calculated our LAT obligations. There can be no assurance that our current provisions for LAT are adequate or that the final outcome will not be different from the amounts initially recorded. In the event that we are required to settle any or all unpaid LAT, our cash flow and results of operations during the related period may be adversely affected.

We depend heavily on the continued services of our founder and Chairman, Mr. Kei Hoi Pang

Although Ms. Kei Perenna Hoi Ting is the ultimate shareholder of our Company, she has declared that the ultimate control over all major affairs of our Company is vested in Mr. Kei Hoi Pang (formerly known as Mr. Ji Haipeng), our founder and Chairman. For a more detailed description of Ms. Kei's declaration, see the section entitled "Principal Shareholders." As a result, our success and growth depends on the continued services of Mr. Kei, who has 20 years of management experience in the PRC property development industry and in-depth knowledge of various aspects of property development and investment, as well as in highway, infrastructure and urban development. In addition, although Mr. Kei is covered by the general accidental injury and illness insurance we provide to our senior management, we have not taken out key man insurance for Mr. Kei. Competition for qualified and experienced personnel is intense in the property development sector and the pool of qualified candidates is very limited. The departure of Mr. Kei and any failure to find suitable replacements could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our controlling shareholders are able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of the date of this information memorandum, approximately 77.3% of our outstanding shares were beneficially owned by our controlling shareholders. Subject to compliance with applicable laws, by maintaining such ownership, our controlling shareholders are able to exercise substantial influence over our corporate policies and our business, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In particular, the strategic goals and interests of our controlling shareholders may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of our controlling shareholders may differ from those of the holders of the Securities. We cannot assure you that our controlling shareholders will act completely in the interests of the holders of the Securities or that possible conflicts of interest will be resolved in favour of the holders of the Securities.

If our completed property developments are not in compliance with the relevant land grant contracts, construction land planning permits, construction works planning permits or construction commencement permits, we will be subject to additional payments or be required to take corrective measures to cure such non-compliance

The local government authorities inspect our property developments after completion and, if the developments are in compliance with the relevant laws and regulations, issue us completion certificates or other comparable documents, based upon which we are able to deliver the completed properties to our purchasers. If, for any reason, the total constructed GFA of a property development exceeds the amount of GFA authorised in the relevant land grant contract, construction land planning permit, construction works planning permit or construction commencement permit, or if the completed property contains built-up areas that do not conform to the construction land planning permit, construction works planning permit or construction commencement permit, we may be required to make additional payments or take corrective measures with respect to such non-compliant areas before we are able to obtain a completion certificate for the property development. If we fail to obtain the completion certificates or other comparable documents due to such non-compliance, we will not be able to deliver the relevant properties or recognise the revenues from the relevant pre-sold properties and may also be subject to liabilities under the sales contracts. We cannot assure you that the local government authorities will not find that the total constructed GFA or built-up areas of our existing projects under development or any future property developments exceed the relevant authorised GFA or are otherwise not in compliance with the relevant land grant contracts, construction land planning permits, construction works planning permits or construction commencement permits upon completion of our property development.

We may be subject to penalties and our land may be repossessed by the PRC government if we do not comply with the terms of our land grant contracts

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including terms relating to payment of land premiums, designated use of land, time of commencement and completion of development), the relevant government authorities may issue a warning to or impose a penalty on the property developer, or may even repossess the land. Any violation of the terms of the land grant contract may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, if we do not commence development for more than one year from the commencement date of the construction and development work as agreed upon and stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice to us and impose an idle land fee of 20% of the land premium. If we do not commence development for more than two years from the commencement date of the construction and development work as agreed upon and stipulated in the land grant contract, the land may be subject to repossession by the PRC government without compensation unless the delay in development is caused by government actions, force majeure events or necessary preparatory work. Moreover, even if the commencement of land development is in conformity with the land grant contract, the land will be treated as idle land if (i) the developed area of land is less than one-third of the total area of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract and if (ii) the suspension of the development of the land exceeds one year in time. Current measures in place require the competent land authorities not to accept any application for new land use rights or process any title transfer transaction, mortgage transaction, lease transaction or land registration application in respect of any idle land before completion of the required rectification procedures. We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the repossession.

There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of our property developments

The ancillary facilities within our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of our properties. However, we do not operate or manage some of the ancillary facilities, such as schools and hospitals. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that these facilities cease to operate in our residential communities, our properties may become less attractive and competitive and this may adversely affect the value of our properties.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning the protection of the environment. 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. Compliance with environmental laws and conditions may result in delays in development, may cause us to incur substantial compliance and other costs and could prohibit or severely restrict project development activity in environmentally sensitive regions or areas. As required by PRC laws and regulations, we must undertake an environmental assessment with respect to each project we develop and submit an environmental impact assessment report to the relevant governmental authorities for approval before commencing construction. It is possible that there are potential or hidden material environmental liabilities of which we are unaware, which may have a material adverse impact on our business. In addition, we cannot assure you that our operations will not result in environmental liabilities or that our contractors will not violate any environmental laws and regulations in their operations that may be attributable to us.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and result in PRC withholding taxes on Distributions we pay on the Securities and PRC tax on the transfer of the Securities

We are a holding company incorporated in the Cayman Islands. Under the Corporate Income Tax Law (企業所得稅法) (the "CIT Law") enacted by the Standing Committee of the National People's Congress on March 16, 2008, which took effect on January 1, 2008, and was amended effective from February 24, 2017, and the implementation rules of the CIT Law which took effect on January 1, 2008, enterprises established outside the PRC whose "*de facto* management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "*de facto* management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "*de facto* management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "*de facto* management bodies" for foreign enterprises that are not controlled by PRC enterprises (including companies like ourselves).

We hold our shareholders' meetings and board meetings outside China and keep our shareholders' list outside China. However, most of our directors and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities in determining whether we are a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such determination.

Although it is unclear under PRC tax law whether we have a "*de facto* management body" located in China for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for CIT Law purposes, we would be subject to the PRC corporate income tax at the rate of 25% on our worldwide income. Furthermore, we may be obligated to withhold PRC income tax at a rate of 10% on payments of Distributions and redemption premium on the Securities to investors that are non-resident enterprises, because the interest and redemption premium may be regarded as being derived from sources within the PRC. The tax rate may be reduced to 7% in the case of investors that are non-resident enterprises located in Hong Kong that are the beneficial owners of the income for purposes of the double taxation treaty between Hong Kong and the PRC. In the case of non-resident individual holders of Securities, the tax may be withheld at a rate of 20%. Further, if we were treated as a PRC resident enterprise, any gain realised by a non-resident investor from the transfer of the Securities may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax in the case of non-resident enterprises or 20% in the case of non-resident individuals. If we are required to withhold PRC tax (including VAT) from payments of Distributions on the Securities, we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Securities of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing payments of Distributions on the Securities and could have an adverse effect on our financial condition. In addition, if we fail to withhold such amounts, we may be subject to fines and other penalties.

We may be adversely affected by inaccurate, false or negative media coverage

From time to time, we may be the subject of media coverage on the development history, current business and future trends of major PRC property developers. Such media reports are often not authorised by us, not substantiated, and may contain inaccurate or false information about us, or may present information about us in a negative light. Such inaccurate, false or negative media coverage may adversely affect our reputation, and as a result our business and results of operations may be negatively affected. To the extent that information contained in such media coverage is inconsistent with the information contained in this information memorandum, investors should not rely on such inconsistent information, and should only rely on the information contained in this information memorandum to make investment decisions about us.

RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

The PRC property market is heavily regulated and subject to PRC government policies, regulations and measures intended to discourage speculation in the property market

As a property developer in the PRC, we are subject to extensive government regulation in many aspects of our operations and are highly susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC government. Over the past few years, property developers and investors have invested heavily in the PRC, raising concerns that the property market had started to overheat. In response to concerns over the scale of the increase in property investment, the PRC government has from time to time introduced policies intended to curtail the overheating of the PRC property market, including:

- strictly enforcing laws and regulations relating to idle land;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio of less than a certain prescribed percentage;
- restricting PRC commercial banks from extending loans for the development of luxury residential properties;
- restricting property developers from using borrowings obtained from any local banks to fund property developments outside that local region;
- restricting the ability of property developers to raise funds via foreign debt;
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land premiums; and
- requiring property developers to promptly and fully pay land premiums before becoming eligible to receive the relevant land use rights certificate.

In particular, the PRC government had also introduced the following policies, among others, to specifically control the growth of the residential property market:

- limiting the maximum amount of monthly mortgage and total monthly debt service payments of individual borrowers;
- suspending land supply for villa developments and restricting land supply for high-end developments, while mandating a minimum land supply for affordable housing;
- imposing a business tax levy on the sales proceeds from secondary sales, based on the length of the holding period and type of property;
- requiring the strict enforcement of a 20% individual income tax on profits from sales of owner-occupied houses;
- increasing the minimum down payment on the purchase price of the residential property of a family;
- raising pre-sale thresholds for commodity housing;
- strengthening the government's management of financing activities by property enterprises which have engaged in certain illegalities or irregularities;
- limiting the purchase of and mortgage loans for residential properties based on a purchaser's place of residence and number of residential properties owned;

- continuing the enforcement of purchase restrictions imposed on commodity housing;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property;
- giving local branches of the PBOC more latitude in raising the down-payment rate and mortgage rate for the purchase of a second residential property in cities where housing prices are increasing at an excessively high rate;
- limiting the availability of individual housing provident fund loans for the purchase of second (or further) residential properties by labourers or their family members;
- requiring property developers to make public the sales and pre-sale price of its units for sales within a certain time period and conduct sales strictly in accordance with this stated price; and
- requiring financial institutions to prioritise mortgage applications for ordinary commodity housing construction projects where small to medium-sized housing units constitute 70% or more of the total units in such construction projects so long as credit extension conditions are satisfied.

Following a downturn in the PRC property market in late 2008 and early 2009, property prices and transaction volume began to increase sharply in the second half of 2009. This has led to the imposition of further regulations and policies by the PRC government aimed at slowing down the property market. These measures resulted in downward pricing pressures on the PRC property market starting in the second half of 2011 and low transaction volumes during the first half of 2012.

As a result of the downturn in the PRC property market in 2014 and 2015, some of the above restrictive policies have been amended or terminated by the PRC government. Home-purchase restrictions in most second and third tier cities have been cancelled, the minimum down-payment on the purchase of the residential property has been reduced, and lending rates of banks have been lowered.

However, starting from October 2016, multiple PRC local governments and regulators introduced measures to cool down the PRC's property market, such as strengthening the requirements on land transfer, raising down-payment requirements for first and second residential property purchasers and tightening buyer eligibility criteria for real estate purchases. The recent tightening measures adopted in Shenzhen, Foshan and Zhuhai, include, among other things:

- increase the guarantee payment for the bidding of the land to more than 50% of the land base price;
- require the down-payment for the first or second property purchasers to be not lower than 30% or 40% of the purchase price;
- suspend the sale of new commodity apartments or the properties below certain square footage to local and non-local resident families which have reached their respective limits for property purchase;

- demand the non-local resident families to furnish the evidence of personal income tax or social insurance payment for a required period when purchasing the second commodity apartment or the properties below certain square footage;
- require developers of newly completed properties to file the selling price to local pricing supervisory authorities, and the authorities have discretion to reject the filing if the developers refuse to adjust the price when it materially exceeds the prevailing price of the surrounding properties or the properties developed in previous construction phase by such developers.

As a considerable portion of the Company's land bank are located in these cities, these recent tightening measures and any other possible tightening measures in the future may have material and adverse impact on the Company's contracted sales, average selling price, land acquisition cost and development cost, and the Company's overall business and financial results.

We cannot assure you that the PRC government will not implement tightening measures to restrain the PRC property market at the national, provincial, municipal and local levels in the future, in which case the declining trends in transaction volume and selling prices of properties in the PRC may continue or further intensify. As a result, our business, financial condition and results of operations may be, and or may continue to be, materially and adversely affected.

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

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

The PRC government has adopted various measures to regulate the property development industry and may adopt further restrictive measures in the future

In addition to its policies and measures implemented to address housing prices, the PRC government has implemented a number of regulations and measures governing the property development industry. In July 2006, the MOHURD, the National Development and Reform Committee ("NDRC"), the PBOC, the State Administration for Industry and Commerce, or SAIC, and the State Administration of Foreign Exchange, or SAFE, issued *Opinions on Regulating the Entry and Administration of Foreign Investment in the Real Estate Market (關於規範房地產市場外資准入和管理的意見)* which was amended on August 19, 2015, which impose significant requirements on foreign investment in the PRC real estate sector. For Instance, to transfer the equity in or the project of a foreign-invested real estate enterprise, it shall be examined and approved by the authority in charge of commerce and other authorities strictly in accordance with the provisions of the relevant laws, regulations and policies. According to Notice of MOFCOM and the State Administration of Foreign Exchange on Further Improvements to Filing for Real Estate Investments of Foreign Investors (商務部、國家外匯管理局關於進一步改進外商投資房地產備案工作的通知), effective from November 6, 2015, the local Bureau of Commerce shall approve the establishment and change of foreign-invested real estate enterprises, and fill in the relevant information of real estate projects in the MOFCOM's foreign investment general management information system.

On July 10, 2007, SAFE issued the *Notice on Publicity of the List of the 1st Group of Foreign-Invested Real Estate Projects filed with MOFCOM (國家外匯管理局綜合司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) (Circular No. 130)*, under which some notices will have a significant impact on offshore financings of foreign invested real enterprises: an foreign invested real enterprises which has obtained an certificate (including new establishment and registered capital increase) and filed with MOFCOM after June 1, 2007 may not incur foreign debt or convert loans in foreign currency into RMB; and an foreign invested real enterprises which obtains an certificate after June 1, 2007 but fails to file with MOFCOM after June 1, 2007, may not conduct a foreign exchange registration nor a foreign exchange conversion of its registered capital.

Though Circular No. 130 has become invalid since the issuance of The Notice of the State Administration of Foreign Exchange on Issuance of the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the 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) on May 10, 2013 ("Circular No. 21"), The Notice of SAFE on Issuance of Administrative Measures on Registration of Foreign Debts (國家外匯管理局關於發佈《外債登記管理辦法》的通知) ("Circular No. 19") issued on April 28, 2013 and partly amended by the Notice of the State Administration of Foreign Exchange on Repealing and Amending Relevant Regulatory Documents Involving the Reform of the Registration System for Registered Capital (《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》) (Huifa [2015] No. 20) issued by SAFE on May 4, 2015, states that If an foreign invested real enterprise fails to acquire a land use right certificate, or to have its development project fund reach 35% of the total investments to the project, it shall not borrow any foreign debt from abroad, nor shall the foreign exchange bureau implement the registration of its foreign debt or approve the conversion of foreign debt into RMB. These notices may strictly limit our capacity to raise funds offshore for the purpose of funding our PRC subsidiaries by means of increasing their registered capital or extending shareholders' loans.

On December 24, 2011, MOFCOM and the NDRC jointly issued the *Catalogue of Industries for Guiding Foreign Investment (2011 Revision)*, or the Catalogue 2011, which took effect on January 30, 2012. Consistent with the provisions of a prior catalogue, the Catalogue 2011 restricts the construction and operation of high-end residential and commercial properties by foreign investment entities. Further, on March 10, 2015, the *Catalogue of Industries for Guiding Foreign Investment (2015 Revision)*, or Catalogue 2015, was issued and supersedes the Catalogue 2011. Compared with its 2011 revision, the development of tracts of land, the construction and operation of high-end hotels, office buildings, international conference centres, and real estate intermediary/agency business have been removed from the category under which foreign investment is restricted, with the construction and operation of large-scale scheme parks remaining in the category.

The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major provinces and cities in China, including Guangdong Province, in the early 1990s culminated in an over-supply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC provinces such as Guangdong Province and cities therein have experienced rapid and significant growth. The risk of property over-supply has increased in recent years in certain parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions as described in the section entitled "—Risks relating to Our Business—The global economic slowdown and financial crisis have negatively affected, and may continue to negatively affect, our business."

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites, pace of development as well as the sales of properties. This cyclicality, combined with the lead time required for completion of projects and the sales of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

Adjustments by the PBOC to the benchmark one-year lending rate and reserve requirement ratios may increase our finance costs and the finance costs of our customers

The PBOC regulates and continually adjusts the lending rates and reserve requirement ratios for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks for property developers and leveraged property buyers. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Increases in the reserve requirement ratios reduce the amount of bank funds available for lending. The PBOC increased the reserve requirement ratios six times in 2010, and another six times up to November 2011, before reducing the reserve requirement ratios three times between December 2011 and December 31, 2012. The current reserve requirement ratios of 16.5% to 20.0% took effect on May 18, 2012.

The PBOC increased the benchmark one-year lending rate nine times between October 2004 and December 2007, from 5.58% to 7.47%. In 2008, the PBOC reduced the benchmark one-year lending rate five times, from 7.47% to 5.31%. Since late 2009, the PRC government introduced a new round of austerity measures to control the growth of the economy, including increasing the benchmark one-year lending rate five times between October 2010 and July 2011, to 6.56%. The PBOC subsequently lowered the benchmark one-year lending rate in June and July 2012 and on November 21, 2014, resulting in a new benchmark one-year lending rate of 5.60%. On August 26, 2015, the PBOC again lowered the benchmark one-year bank lending rate to 4.60%, and on October 24, 2015, the PBOC further lowered the benchmark one-year bank lending rate to 4.35%. The benchmark one-year bank lending rates published by the PBOC for the years ended December 31, 2015 and 2016 were 4.35% and 4.35%, respectively. We expect that increases in interest rates and reserve requirement ratios would increase our finance costs in general and the finance costs of leveraged property buyers and as a result, may delay potential purchasers from making a purchase. The effect of the increases in interest rates on our finance costs are not immediately apparent due to our capitalization of finance costs. Upon completion of a project and once the property has been delivered to buyers, the capitalised finance costs of the relevant property will be recognised as direct costs on our consolidated income statements.

Any further increases in interest rates on our bank borrowings, including as a result of interest rate increases by the PBOC, could have a material adverse effect on our business, financial condition, results of operations and prospects. These and other credit tightening measures by the PRC government in recent years have affected the ability of Chinese companies, including property developers, to borrow funds to finance their operation and development plans. Despite recent decreases, the reserve requirement ratio remains at a relatively high level. We cannot assure you that the PBOC will not raise lending rates or reserve requirement ratios in the future, or that our business, financial condition and results of operations would not be adversely affected as a result of these adjustments.

We face intense competition

In recent years, a large number of property developers have undertaken property development and investment projects in Guangdong Province and elsewhere in the PRC. Our major competitors include large national and regional property developers and overseas developers, including a number of leading Hong Kong property developers, some of which may be more sophisticated than us in terms of engineering and technical skills, and may have better track records and greater financial, land and other resources, broader name recognition and greater economies of scale than us.

In addition, the PRC government has recently introduced various policies and measures in order to limit the growth and to prevent the overheating of the property development sector, which has further increased competition for land among real estate developers. For more details, please refer to the sections entitled "Industry Overview" and "Regulation."

Competition among property developers may result in an increase in acquisition costs of land for development, an increase in the cost or a shortage of raw materials, an over-supply of properties, a decrease in property prices in certain parts of the PRC or an inability to sell such properties, a slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and an increase in administrative costs for hiring or retaining qualified personnel, any of which may adversely affect our business, financial position and results of operations.

In addition, recent market downturns in the PRC may further intensity competition. If we cannot respond to changes in market conditions or changes in customer preferences more swiftly or effectively than our competitors, our business, financial condition and results of operations could be adversely affected.

Property markets in the PRC are still at an early stage of development and lack adequate infrastructural support

The property markets in the PRC are still at a relatively early stage of development. The growth of the PRC property markets is often coupled with volatility in market conditions and fluctuation in property prices. We cannot predict how much and when demand will develop, as various factors, including social, political, economic and legal factors may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

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

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

The property development business is subject to claims under statutory quality warranties

Under the Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), which became effective on January 30, 2000, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. In addition, general contractors are required to provide quality warranties for the properties they build to the relevant property developers, and such property developers may seek reimbursement from the relevant general contractors for amounts paid to customers as a result of claims brought under quality warranties. We act as general contractor for a majority of our property projects, and in such cases we are directly responsible for construction quality and are generally not able to seek reimbursement from third-party contractors where customer claims are brought against us under our quality warranties. We cannot guarantee that we will not receive customer claims in relation to the quality of our projects. If a significant number of claims were brought against us under our quality warranties and if we were unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the money retained by us to cover our payment obligations under the quality warranties was not sufficient, we could incur significant expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm our reputation, and materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Substantially all of our assets are located in the PRC and our revenue is sourced from the PRC. Accordingly, our results of operations, financial position and prospects are directly affected by the economic, political and legal developments of the PRC.

PRC economic, political and social conditions as well as government policies could affect our business

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising the utilisation of market forces in the development of the PRC economy. However, since early 2004, the PRC government has implemented certain measures in order to prevent the PRC economy, including the property market, from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential properties, and may have an adverse impact on economic growth in the PRC. See the section entitled "Regulation" for further information. If China's economic growth decreases or if the PRC economy experiences a recession, the growth in demand for our products may also decrease and our business, financial condition and results of operations will be adversely affected.

In addition, demand for our products and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

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

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

Governmental control of currency conversion may limit our ability to use capital effectively

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive our revenues in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

The labour contract law and other labour laws and regulations in the PRC may adversely affect our business and profitability

The labour contract law promulgated in the PRC on June 29, 2007 and amended on December 28, 2012, effective on July 1, 2013, imposes more stringent requirements on employers in relation to entering into fixed term employment contracts, the hiring of temporary employees and dismissing employees. In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which came into effect on January 1, 2008, employees who have continuously worked for more than one year are entitled to a paid holiday ranging from five to 15 days, depending on their length of service. Employees who agree to waive part or all of their holiday entitlement at the request of their employers must be compensated with three times their normal daily salaries for each day of holiday entitlement being waived. As a result of the labour contract law and related regulations, our labour costs may increase. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labour costs and future disputes with our employees could have a material adverse effect on our business, financial condition or results of operations.

In addition, in accordance with relevant PRC labour laws and regulations, we are required to contribute to a number of employee social insurance schemes including medical, maternity, work-related injury, unemployment and pension insurance, and to the employee housing provident fund. We provide social insurance and contribute to the housing provident fund for our employees in accordance with the policies and practises of local government authorities' interpretation and implementation of relevant PRC labour laws and regulations. Changes in labour laws or regulations in the PRC in which we operate may result in us incurring significant costs in order to maintain compliance with such laws and regulations and may delay or prevent project completion. Any failure to comply with such labour regulations may result in penalties, revocation of permits or licences for our operations or litigation, and as a result, our business, financial condition and results of operations could be materially and adversely affected.

Uncertainty with respect to the PRC legal system could adversely affect us and may limit the legal protection available to you

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. For example, we have registered the issuance of the Securities with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within 10 working days in the PRC pursuant to the registration certificate. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are subject to policy changes. There is no guarantee that the introduction of new laws, changes to existing laws and the interpretation or application thereof, or delays in obtaining rulings, interpretations or approvals from the relevant authorities will not have an adverse impact on our business or prospects.

Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgement by a court of another jurisdiction. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention. All these uncertainties could limit the legal protection available to foreign investors, including you.

It may be difficult to effect service of process on our Directors or executive offers who reside in the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts

A majority of our senior management members reside in mainland China, and substantially all of our assets, and substantially all of the assets of those persons are located in mainland China. Therefore, it may be difficult for investors to effect service of process upon those persons inside mainland China or to enforce against us or them in mainland China any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("SARS"), and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of floods, earthquakes, sandstorms, snowstorms, fire, droughts or epidemics. Our business, financial condition and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. In particular, any future outbreak of SARS, avian flu or other similar adverse epidemics may, among other things, significantly disrupt our business, including limiting our ability to travel or ship materials within the PRC. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas, which may in turn have a material and adverse effect on our results of operations, financial condition and business.

RISKS RELATING TO THE SECURITIES

The Securities are perpetual securities and investors have no right to require redemption

The Securities are perpetual and have no maturity date. We are under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Therefore, holders of the Securities should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

Our obligations under the Securities are subordinated

Our obligations under the Securities constitute our direct, unsecured and subordinated obligations. In the event of the Winding-Up of the Issuer, the rights and claims of the Holders in respect of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Obligations of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer, other than the claims of holders of Parity Obligations of the Issuer.

In the event of a shortfall of funds on a Winding-Up, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount of the Securities or any unpaid Distributions, Arrears of Distribution or Additional Distribution Amounts.

The Securities may not be suitable investment for all investors

The Securities are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this information memorandum or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;

(iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Holders may not receive Distribution payments if we elect to defer Distribution payments

We may, at our sole discretion, elect to defer any scheduled Distribution on the Securities for any period of time. In addition, under some circumstances (as more fully described in "*Terms and Conditions of the Securities*"), we are required to defer scheduled Distributions. We are not subject to any limits as to the number of times Distributions can or must be deferred pursuant to the Terms and Conditions of the Securities subject to compliance with Condition 4 (*Distributions*) of the Terms and Conditions of the Securities. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Terms and Conditions of the Securities we may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Holders.

Any such deferral of Distribution shall not constitute a default for any purpose unless, in the case of a deferral, such payment is required in accordance with Condition 4(d)(vi) (*Distributions — Distribution Deferral — Satisfaction of Arrears of Distribution by payment*).

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which there was an original issue discount or in respect of which interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in our business and/or financial condition.

All redemption rights are at our discretion and the timing of redemption of the Securities may not correspond with the Holders' expectations or preferences

The Terms and Conditions of the Securities provide that the Securities are redeemable at our option, in whole but not in part, on the First Reset Date, or any Distribution Payment Date after the First Reset Date at their Redemption Amount.

In addition, we also have the right to redeem the Securities, in whole but not in part, if (a) there are any amendments or changes to the Relevant Accounting Standard such that the Securities must not or must no longer be recorded as our "equity" pursuant to the Relevant Accounting Standard (an "Accounting Event"), (b) there is an amendment, clarification or change in the rules of S&P's or Fitch's and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Securities than the equity credit assigned on the Issue Date (a "Capital Event"), (c) there are any changes in, or amendments to, to the laws or regulations of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) such that we have or will become obliged to pay material additional amounts in respect of tax on the Securities and such obligation cannot be avoided by taking reasonable measures available to us (a "**Withholding Tax Event**"), or (d) by reason of a Change of Control Triggering Event (as defined in "*Terms and Conditions of the Securities*"), as referred to in the Terms and Conditions of the Securities. The date on which we elect to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to Holders in light of market conditions or the individual circumstances of the Holder of Securities. A Holder's ability to realise value at a certain time may be limited to selling the Securities into the secondary market. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

The insolvency laws of the Cayman Islands and PRC and other local insolvency laws applicable to us may differ from those of any other jurisdiction with which holders of the Securities are familiar

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. We and our non-PRC subsidiaries, 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. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Securities are familiar. You should carefully analyse the risks and uncertainties in the insolvency laws of the Cayman Islands, the PRC and other jurisdictions applicable to us before you invest in the Securities.

There are limited remedies for non-payment under the Securities

Any scheduled Distribution will not be due if we elect to defer that Distribution. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due and we fail to make the payment when due. The only remedy against us available to the Trustee or (where the Trustee has failed to proceed against us as provided in the Terms and Conditions of the Securities) any Holder of Securities for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of our payment obligations arising from the Securities and the Trust Deed.

The Securities contain provisions regarding modification and waivers which may affect the rights of Holders

The Terms and Conditions of the Securities contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution in writing signed by or on behalf of the Holders of not less than 90 per cent. of the aggregate principal amount of Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held.

The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of Holders, (a) agree to any modification of the Terms and Conditions of the Securities or the Trust Deed (other than in respect of a Reserved Matter (as defined therein)) which is, in the opinion of the Trustee, not materially prejudicial to the interests of Holders and to any modification of the Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error; and (b) authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

The Terms and Conditions of the Securities also provide that if a Special Event has occurred and is continuing, then we may, without the consent of Holders, subject to having satisfied the Trustee that Condition 13 *(Substitution or Variation)* has been satisfied as to certain matters and giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 *(Notices)*, the Holders (which notice shall be irrevocable), (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities (as defined in the Terms and Conditions of the Securities).

Individual Certificates will in no circumstances be issued to any person holding Securities in an amount lower than the minimum denomination

The Securities will be issued in the denomination of US$200,000 and integral multiples of US$1,000 in excess thereof. The Terms and Conditions of the Securities provide that, for so long as the Securities are represented by the Global Certificate and Euroclear and Clearstream, Luxembourg (or any other relevant clearing system) so permit, the Securities will be tradable in nominal amounts equal to the minimum denomination and integral multiples of US$1,000 in excess thereof.

Individual Certificates will only be issued if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to permanently cease business. If Individual Certificates are issued, such Securities will be issued only in respect of amounts equal to denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Any remaining nominal amount of Securities will be cancelled and Holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Securities. Individual Certificates will in no circumstances be issued to any person holding Securities in an amount lower than the minimum denomination and such Securities will be cancelled and Holders will have no rights against us (including rights to receive principal or interest or to vote) in respect of such Securities.

A trading market for the Securities may not develop

The Securities are new securities which may not be widely distributed and for which there is currently no active trading market. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Issuer's financial condition. We cannot assure you that an active trading market will develop. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the Securities. Although application will be made to the SGX-ST for the listing and quotation of the Securities on the SGX-ST, we cannot guarantee that such listing will be maintained, or that, if listed, a liquid trading market will develop or continue. If an active trading market for the Securities does not develop or continue, the market price and liquidity of the Securities may be adversely affected. We may elect to apply for a de-listing of the Securities from any stock exchange or markets of such stock exchange on which they are traded because the maintenance of such listing is or would be unduly burdensome.

The Trustee may request Holders of the Securities to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including without limitation the taking of action as contemplated in Condition 8 (*Non-payment*)), the Trustee may (as its sole discretion) request Holders of the Securities to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Holders of the Securities. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding 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 or security of prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Securities 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 Securities to take such actions directly.

We may raise other capital which affects the price of the Securities

We now have, and will continue to have after the offering of the Securities, a substantial amount of indebtedness. As of December 31, 2015 and 2016, our total outstanding borrowings (excluding the Existing Notes and Corporate Bonds) amounted to RMB11,161.9 million and RMB15,078.0 million (US$2,171.7 million), respectively. On January 3, 2017 and May 23, 2017, we issued the January 2017 Notes and the May 2017 Notes, respectively. All of these are senior to the Securities.

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

- reduce the amounts available to Holders on a Winding-Up;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;

- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which we may issue or incur and which rank senior to, or pari passu with, the Securities and in respect of which we may grant security over our assets. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on our Winding-Up and/or may increase the likelihood of a deferral of Distribution under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

Our ability to generate sufficient cash to satisfy our outstanding and future debt and other obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt and other obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness and satisfy our other obligations, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In the event of a shortfall of funds on a Winding-Up, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount of the Securities or any unpaid Distributions, Arrears of Distribution or Additional Distribution Amounts.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries and any dividends from such subsidiaries may not qualify for reduced treaty rates

As a holding company, we depend on the receipt of dividends and interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our debt obligations, including our obligations under the Securities. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In particular, a number of our subsidiaries in the PRC are parties to bank loan agreements that restrict their ability to pay dividends. See the section entitled "Description of Other Material Indebtedness." In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity would not be available to us to make payments on the Securities. Further, certain loan agreements and secured trust financing agreements obtained by our PRC subsidiaries from lender banks and trust companies in the PRC contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Securities.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10%

withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated that specifically exempts or reduces such withholding tax. Currently, we invest in most of our PRC operating subsidiaries through Yuen Ming (Hong Kong) Investments Company Limited ("Yuen Ming") and Kam Wang (Hong Kong) Investments Company Limited ("Kam Wang"), companies incorporated in Hong Kong. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "Hong Kong Tax Treaty"), Yuen Ming and Kam Wang may be subject to withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries. However, according to the Circular in Relation to the Understanding and Determination of "Beneficial Owners" in Tax Treaties (《關於如何理解和認定稅收協定中"受益所有人"的通知》) issued by the PRC State Administration of Taxation on October 27, 2009 ("Circular 601"), tax treaty benefits will be denied to "conduit" or shell companies without substantive business activities. It is unclear whether Circular 601 applies to dividends from our PRC operating subsidiaries paid to us through Yuen Ming and Kam Wang. It is possible, however, that under Circular 601, Yuen Ming and Kam Wang would not be considered as the "beneficial owners" of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favourable 5% rate applicable under the Hong Kong Tax Treaty, in which case our results of operations and financial position would be materially and adversely affected. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet our payment obligations under the Securities, and there could be restrictions on payments required to redeem the Securities as required for any early redemption.

Furthermore, in practise, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders' loans paid by our subsidiaries, therefore, are likely to be lower than the Distribution Rate applicable to the Securities. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident, subject to approval by local tax authorities) withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require approval by SAFE prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries (except the loans to a foreign-invested enterprise within the difference between its total investment and registered capital), and require such loans (including the loans to a foreign-invested enterprise within the difference between its total investment and registered capital) to be registered with SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Securities. Any limitation on the ability of our PRC subsidiaries to pay dividends to us may also materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses or otherwise fund and conduct our business.

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of Distribution under the Securities

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities.

In addition, in July 2007, the SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with the Ministry of Commerce" (國家外匯管理局綜合司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). The notice stipulates, among other things, (i) that the local foreign exchange authorities will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by foreign invested enterprise in the real estate sector that obtained approval certificates from and registered with the MOFCOM on or after June 1, 2007; and (ii) that the local foreign exchange authorities will no longer process foreign exchange registrations (or any change in such registrations) or applications for settlement and sale of foreign exchange for capital accounts submitted by foreign invested enterprise in the real estate sector that obtained approval certificates from local commerce departments on or after June 1, 2007 but that did not register with the MOFCOM. Foreign invested-enterprises include joint ventures and wholly foreign owned enterprises established in China, such as most of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China may only be transferred to our PRC subsidiaries as equity investments and not as loans. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, in the event of a shortfall of funds on a Winding-Up there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount of the Securities or any unpaid Distributions, Arrears of Distribution or Additional Distribution Amounts.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation. Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

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

The Securities are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 24.5% from July 21, 2005 to June 30, 2016. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorising market-makers to provide parity to the China Foreign Exchange Trading Centre operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Securities and other indebtedness denominated in foreign currencies.

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

We may be unable to obtain and remit foreign exchange

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

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

Our debt documents include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of us and certain of our 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 certain of our subsidiaries;
- guarantee indebtedness of certain of our subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the certain of our 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.

Our credit rating may decline

There is a risk that our credit rating may change as a result of changes in our operating performance or capital structure, or for some other reason. No assurance can be given that a credit rating will remain for any given period of time or that a credit rating will not be lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant or if a different methodology is applied to derive such credit ratings. Any lowering or withdrawal of our credit rating could, notwithstanding that it is not a rating of the Securities, adversely impact the market price and the liquidity of the Securities.

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, our financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from GAAP in other jurisdictions, which might be material to the financial information contained in this information memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAP. You should consult your own professional advisors for an understanding of the differences between HKFRS and other GAAP and how those differences might affect the financial information contained in this information memorandum.

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

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

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the placing commissions and other expenses payable by us in connection with this offering, will be approximately US$346.5 million, which we plan to use for refinancing our existing indebtedness and for general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

EXCHANGE RATE INFORMATION

CHINA

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012. From July 21, 2005 to December 31, 2013, the value of the Renminbi appreciated by approximately 26.9% against the U.S. dollar. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC authorised the China Foreign Exchange Trading Centre, 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 August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorising market-makers to provide parity to the China Foreign Exchange Trading Centre operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies.

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

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**Low**	**High**
	(RMB per US$1.00)			
2011	6.2939	6.4475	6.2939	6.6364
2012	6.2303	6.3085	6.2221	6.3879
2013	6.0537	6.1412	6.0537	6.2438
2014	6.2046	6.1704	6.0402	6.2591
2015	6.4778	6.2869	6.2046	6.4778
2016	0.9430	6.6400	6.9580	6.4480
November	6.8837	6.8402	6.7534	6.9195
December	6.9430	6.9198	6.9580	6.8771
2017				
January	6.8768	6.8907	6.9575	6.8360
February	6.8665	6.8694	6.8821	6.8517
March	6.8832	6.8440	6.9132	6.8687
April	6.8900	6.8876	6.8988	6.8778
May (through May 5)	6.9021	6.8959	6.9021	6.8900

Source: Federal Reserve H.10 Statistical Release

Note:

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

HONG KONG

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

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

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

	Exchange Rate			
Period	**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	7.7556	7.7493	7.7699
2013	7.7539	7.7565	7.7503	7.7654
2014	7.7531	7.7554	7.7495	7.7669
2015	7.7507	7.7519	7.7495	7.7686
2016	7.7534	7.7620	7.8270	7.7505
November	7.7566	7.7560	7.7546	7.7581
December	7.7534	7.7586	7.7674	7.7534
2017				
January	7.7579	7.7560	7.7580	7.7540
February	7.7627	7.7596	7.7627	7.7575
March	7.7714	7.7658	7.7714	7.7611
April	7.7779	7.7737	7.7806	7.7687
May (through May 5)	7.7839	7.7810	7.7839	7.7775

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2016 on an actual basis and on an adjusted basis after giving effect to the issuance of the January 2017 Notes, the May 2017 Notes and the Securities after deducting the placing commissions and other expenses payable by us in connection with these issuances.

	As of December 31, 2016			
	Actual		As adjusted	
	RMB'000	*US$'000*[8]	*RMB'000*	*US$'000*[8]
Cash and cash equivalents[1]	13,559,827	1,953,021	20,419,509	2,941,021
Short-term borrowings:[2]				
Bank and other loans	3,370,501	485,453	3,370,501	485,453
The December 2014 Notes	1,747,637	251,712	1,747,637	251,712
Total short-term borrowings	5,118,138	737,165	5,118,138	737,165
Long-term borrowings:[3][4]				
Bank and other loans	11,707,510	1,686,232	11,707,510	1,686,232
Corporate Bonds[5]	12,400,000	1,785,971	12,400,000	1,785,971
The June 2014 Notes and the January 2016 Notes	3,960,889	570,487	3,960,889	570,487
The January 2017 Notes	—	—	1,369,160	197,200
The May 2017 Notes	—	—	3,084,775	444,300
Total long-term borrowings	28,068,399	4,042,690	32,522,334	4,684,190
Equity:				
Total equity attributable to equity shareholders of the Company	19,426,849	2,798,048	19,426,849	2,798,048
Non-controlling interests	6,324,497	910,917	6,324,497	910,917
Securities to be issued[6]	—	—	2,405,750	346,500
Total equity	25,751,346	3,708,965	28,157,093	4,055,465
Total capitalization[7]	53,819,745	7,751,655	60,679,425	8,739,655

Notes:

(1) Cash and cash equivalents exclude restricted and pledged deposits of RMB1,010.2 million (US$145.5 million).

(2) Short-term borrowings include the current portion of long-term borrowings.

(3) Our long-term borrowings do not include any accrual for capital commitments or contingent liabilities. As of December 31, 2016, our capital commitments were RMB24,266.2 million (US$3,495.1 million) and our contingent liabilities, which were in the form of guarantees for mortgage bank loans granted to purchasers of our properties, were RMB9,806.2 million (US$1,412.4 million). See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness and Contingent Liabilities—Capital Commitments and Contractual Obligations" and "—Indebtedness and Contingent Liabilities."

(4) Subsequent to December 31, 2016, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments. These additional borrowings are not reflected in the table above. See the section entitled "Description of Material Indebtedness and Other Obligations."

(5) Corporate Bonds include the Public Corporate Bonds and the Private Corporate Bonds issued by Shenzhen Logan to qualified investors in tranches in 2015 and 2016.

(6) The net proceeds from the Securities (with the aggregate principal amount of US$350.0 million), after deduction of the placing commissions and other expenses of approximately US$3.5 million, is approximately US$346.5 million.

(7) Total capitalization equals total long-term borrowings plus total equity.

(8) Amounts in Renminbi have been translated into U.S. dollar amounts, and vice versa, for convenience only at the exchange rate of RMB6.9430 to US$1.00 based on the noon buying rate for U.S. dollars in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2016.

In our ordinary course of business, we may incur additional debt, including, among others, bank borrowings and domestic bonds issuances. Except as otherwise disclosed in this information memorandum, there has been no material adverse change in our capitalization and indebtedness since December 31, 2016.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our selected consolidated financial and other data. The selected consolidated statement of profit or loss data for the years ended December 31, 2015 and 2016 and the selected consolidated statement of financial position as of December 31, 2015 and 2016 set forth below (except for other financial data and US$ data) have been derived from our consolidated financial statements as of and for the years ended December 31, 2016, which are included elsewhere in this information memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operation. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from GAAP in other jurisdictions. The selected financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this information memorandum. The summary financial data below is qualified in its entirety by reference to our consolidated financial statements and the notes to those statements included elsewhere in this information memorandum.

The consolidated financial statements for the year ended December 31, 2016 were audited by KPMG and the auditor's report, which was reproduced on pages F-2 to F-10 in this information memorandum, was qualified in respect of the following matters:

(a) certain joint ventures incurred payments to third parties to fund the costs for the acquisition of certain urbanisation projects. These payments of approximately RMB900 million have been included in receivables as of December 31, 2016. However, KPMG have been unable to obtain sufficient audit evidence to ascertain the nature of these payments, and thus cannot satisfy themselves as to the appropriateness of accounting for these payments as receivables as of December 31, 2016.

(b) our Group has entered into capital contribution agreements with Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd. ("Pingan Dahua") in 2015 and 2016, pursuant to which Pingan Dahua has made capital contributions to two subsidiaries of our Group (Shenzhen Logan Junjing Real Estate Development Co., Ltd. (深圳市龍光駿景房地產開發有限公司) ("Shenzhen Logan Junjing") and Huizhou Daya Bay Dongzhen Property Co., Ltd. (惠州大亞灣東圳房地產有限公司) ("Huizhou Dongzhen"). As of December 31, 2016, Pingan Dahua contributed a total of RMB4,800 million and RMB3,960 million to Shenzhen Logan Junjing and Huizhou Dongzhen, respectively (2015: RMB2,800 million and nil, respectively). In 2016, Pingan Dahua received RMB2,086 million from our Group on the repurchase of Pingan Dahua's 49% interest in our subsidiary, Shenzhen Jinjun Property Co., Ltd. ("Shenzhen Jinjun"). These transactions have been accounted for as equity transactions whereby adjustments have been made to the amount of other reserves within controlling shareholders' interests and non-controlling interests in our consolidated financial statements as of December 31, 2016 and 2015. KPMG stated in their audit report that during their audit of the consolidated financial statements as of December 31, 2016, it came to their attention that certain agreements specified certain payments obligations by Shenzhen Logan Junjing and Huizhou Dongzhen to Pingan Dahua in connection with the above capital contributions. In KPMG's opinion, as the agreements contain obligations for our Group to repurchase its own equity instruments in certain circumstances, accounting for these transactions entirely as equity transactions is not in accordance with the requirements of Hong Kong Accounting Standard *32 Financial Instruments: Presentation*. KPMG stated in their audit report dated March 30, 2017 on our consolidated financial statements for the year ended December 31, 2016 that they have been unable to quantify the financial effect of this departure as of the date of their audit report as they have been unable to satisfy themselves that they have a full understanding of the rights and obligations of both sides to the agreements and any other similar transactions accounted for as equity transactions in our Group's consolidated financial statements as of December 31, 2016 and 2015. KPMG further stated that any adjustments to these amounts would affect the amount of liabilities and net assets we reported as at those dates and may affect the profit recognised for the years then ended.

As a result of the qualifications described above, the relevant balances as of and for the years ended December 31, 2015 and 2016 may be impacted.

SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER FINANCIAL DATA

	For the year ended December 31,		
	2015	2016	
	RMB	*RMB*	*US$*
	(in thousands, except for percentages)		
Revenue	14,574,010	20,538,838	2,958,208
Direct costs	(10,143,907)	(13,979,010)	(2,013,396)
Gross profit	4,430,103	6,559,828	944,812
Other revenue	134,635	423,523	61,000
Other expenses	(144,029)	(196,327)	(28,277)
Selling and marketing expenses	(573,138)	(714,249)	(102,873)
Administrative expenses	(587,839)	(556,700)	(80,181)
Net increase in fair value of investment properties	943,057	2,681,903	386,274
Net increase in fair value of derivative financial instruments	6,936	81,720	11,770
Share of profit of an associate	—	31,723	4,569
Share of losses of joint ventures	—	(6,137)	(884)
Profit from operations	4,209,725	8,305,284	1,196,210
Finance costs	(36,215)	(371,850)	(53,558)
Profit before taxation	4,173,510	7,933,434	1,142,652
Income tax	(1,485,692)	(2,733,551)	(393,713)
Profit for the year	2,687,818	5,199,883	748,939
Attributable to:			
—Equity shareholders of the Company	2,649,279	4,487,736	646,368
—Non-controlling interests	38,539	712,147	102,571
Profit for the year	2,687,818	5,199,883	748,939
Other financial data:			
EBITDA[(1)]	3,873,696	6,584,236	948,327
EBITDA margin[(2)]	26.6%	32.1%	32.1%

Notes:

(1) EBITDA for any period consists of profit from operations less changes in fair value of investment properties, and other borrowing costs included in finance costs plus capitalised interest included in direct costs and depreciation expenses included in administrative expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for a reconciliation of our profit from operations under HKFRS to our definition of EBITDA.

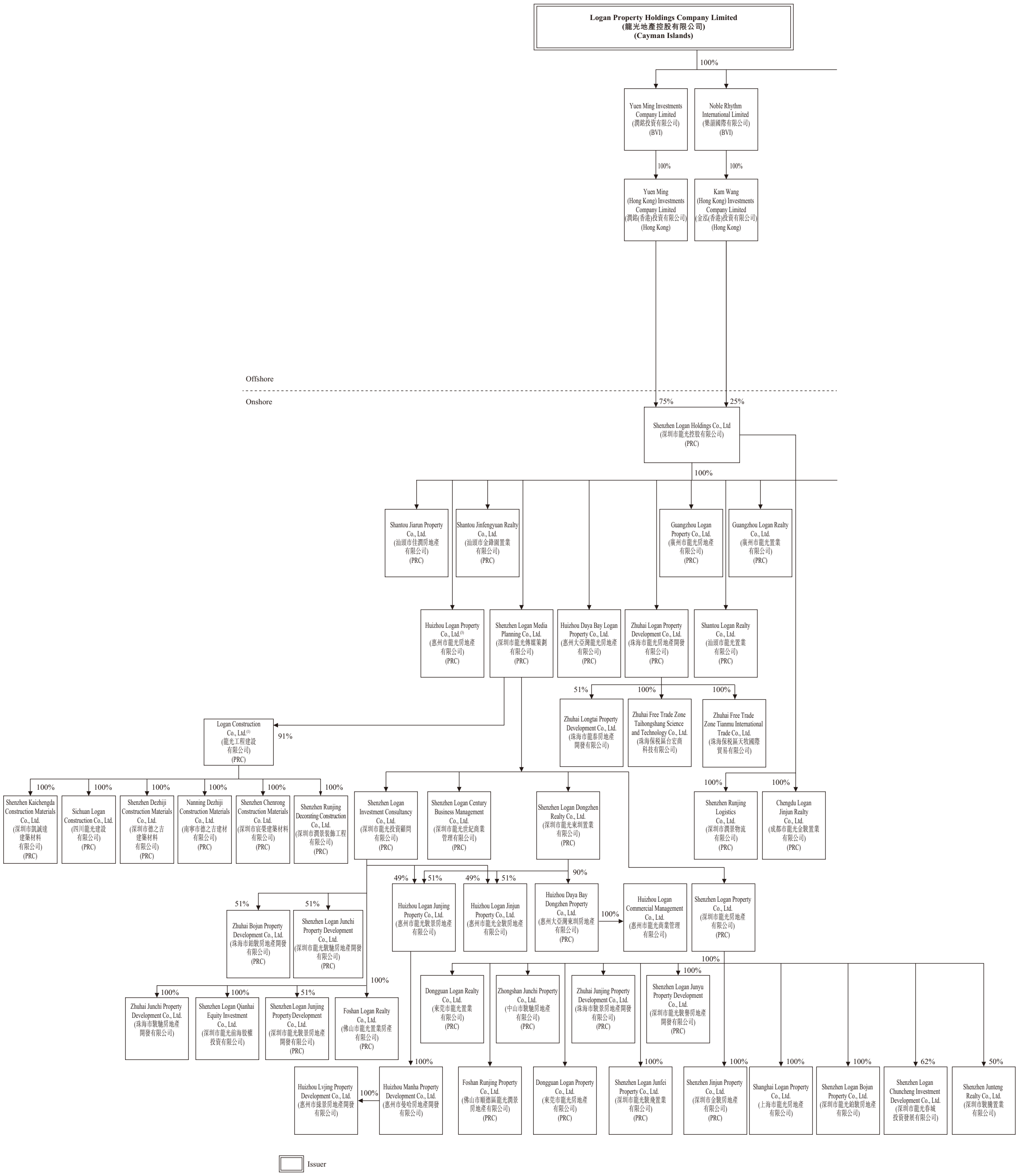
(2) EBITDA margin is calculated by dividing EBITDA by revenue.

SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,		
	2015	2016	
	RMB'000	*RMB'000*	*US$'000*
Non-current assets			
Investment properties	6,117,500	11,890,879	1,712,643
Other property, plant and equipment	165,622	184,317	26,547
	6,283,122	12,075,196	1,739,190
Deferred tax assets	385,210	273,500	39,392
Interest in joint ventures and an associate	—	15,404,313	2,218,683
Restricted and pledged deposits	343,065	227,304	32,739
	7,011,397	27,980,313	4,030,003
Current assets			
Inventories	28,198,344	40,197,099	5,789,586
Trade and other receivables	10,025,722	2,943,357	423,932
Tax recoverable	402,045	810,941	116,800
Assets under cross-border guarantee arrangements	286,600	—	—
Restricted and pledged deposits	2,212,300	1,010,172	145,495
Cash and cash equivalents	8,635,258	13,559,827	1,953,021
	49,760,269	58,521,396	8,428,834
Current liabilities			
Trade and other payables	16,969,129	23,919,327	3,445,100
Liabilities under cross-border guarantee arrangements	286,600	—	—
Bank and other loans	4,044,885	3,370,501	485,453
Senior Notes	—	1,747,637	251,712
Tax payable	1,320,647	2,017,405	290,567
	22,621,261	31,054,870	4,472,832
Net current assets	27,139,008	27,466,526	3,956,003
Total assets less current liabilities	34,150,405	55,446,839	7,986,006
Non-current liabilities			
Bank and other loans	7,117,037	11,707,510	1,686,232
Corporate bonds	5,000,000	12,400,000	1,785,971
Senior notes	3,588,720	3,960,889	570,487
Deferred tax liabilities	983,731	1,627,094	234,350
	16,689,488	29,695,493	4,277,041
NET ASSETS	17,460,917	25,751,346	3,708,965
CAPITAL AND RESERVES			
Share capital	439,821	434,591	62,594
Reserves	13,108,958	18,992,258	2,735,454
Total equity attributable to equity shareholders of the Company	13,548,779	19,426,849	2,798,048
Non-controlling interests	3,912,138	6,324,497	910,917
TOTAL EQUITY	17,460,917	25,751,346	3,708,965

CORPORATE STRUCTURE

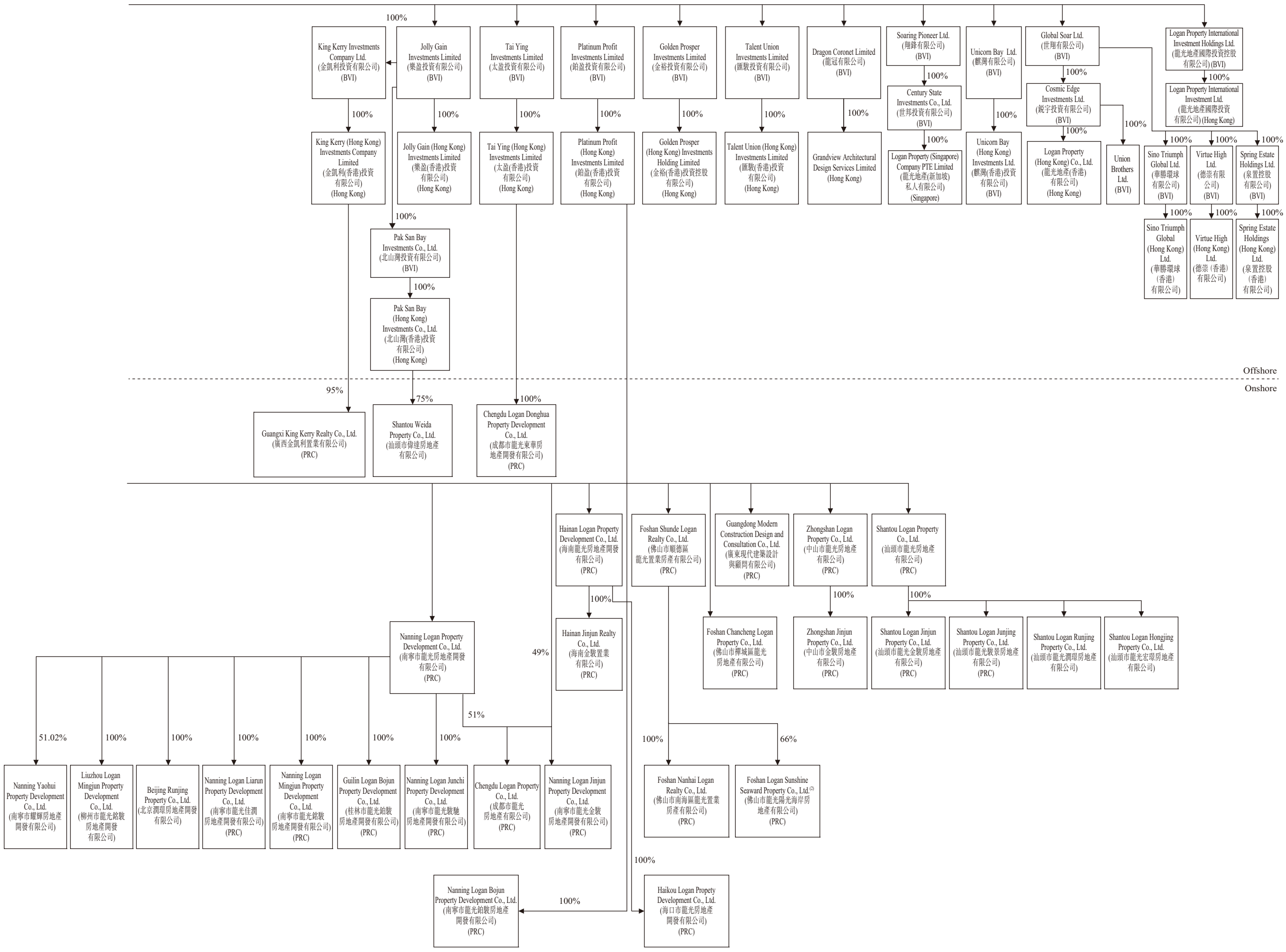
The following chart illustrates our simplified corporate structure as of the date of this information memorandum:



Notes:

(1) Logan Construction is 91% owned by Shenzhen Logan Media Palaning Co., Ltd and 9% owned by Logan Real Estate.

(2) Foshan Logan Sunshine Seaward Property Co., Ltd. is 66% owned by Foshan Shunde Logan Realty Co., Ltd. and 34% owned by Guangdong Nanhai Luonan Ceramics Enterprises Group (廣東南海羅南陶瓷企業集團).



100%
King Kerry Investments Company Ltd. (BVI)
Jolly Gain Investments Limited (BVI)
Tai Ying Investments Limited (BVI)
Platinum Profit Investments Limited (BVI)
Golden Prosper Investments Limited (BVI)
Talent Union Investments Limited (BVI)
Dragon Coronet Limited (BVI)
Soaring Pioneer Ltd. (BVI)
Unicorn Bay Ltd. (BVI)
Global Soar Ltd. (BVI)
Logan Property International Investment Holdings Ltd. (BVI)
Logan Property International Investment Ltd. (Hong Kong)
Century State Investments Co., Ltd. (BVI)
Cosmic Edge Investments Ltd. (BVI)
King Kerry (Hong Kong) Investments Company Limited (Hong Kong)
Jolly Gain (Hong Kong) Investments Limited (Hong Kong)
Tai Ying (Hong Kong) Investments Limited (Hong Kong)
Platinum Profit (Hong Kong) Investments Limited (Hong Kong)
Golden Prosper (Hong Kong) Investments Holding Limited (Hong Kong)
Talent Union (Hong Kong) Investments Limited (Hong Kong)
Grandview Architectural Design Services Limited (Hong Kong)
Logan Property (Singapore) Company PTE Limited (Singapore)
Unicorn Bay (Hong Kong) Investments Ltd. (BVI)
Logan Property (Hong Kong) Co., Ltd. (Hong Kong)
Union Brothers Ltd. (BVI)
Sino Triumph Global Ltd. (BVI)
Virtue High Ltd. (BVI)
Spring Estate Holdings Ltd. (BVI)
Sino Triumph Global (Hong Kong) Ltd.
Virtue High (Hong Kong) Ltd.
Spring Estate Holdings (Hong Kong) Ltd.
Pak San Bay Investments Co., Ltd. (BVI)
Pak San Bay (Hong Kong) Investments Co., Ltd. (Hong Kong)
Offshore
Onshore
95%
75%
Guangxi King Kerry Realty Co., Ltd. (PRC)
Shantou Weida Property Co., Ltd.
Chengdu Logan Donghua Property Development Co., Ltd. (PRC)
Hainan Logan Property Development Co., Ltd. (PRC)
Foshan Shunde Logan Realty Co., Ltd. (PRC)
Guangdong Modern Construction Design and Consultation Co., Ltd. (PRC)
Zhongshan Logan Property Co., Ltd. (PRC)
Shantou Logan Property Co., Ltd. (PRC)
Hainan Jinjun Realty Co., Ltd. (PRC)
Foshan Chancheng Logan Property Co., Ltd. (PRC)
Zhongshan Jinjun Property Co., Ltd. (PRC)
Shantou Logan Jinjun Property Co., Ltd. (PRC)
Shantou Logan Junjing Property Co., Ltd. (PRC)
Shantou Logan Runjing Property Co., Ltd.
Shantou Logan Hongjing Property Co., Ltd.
Nanning Logan Property Development Co., Ltd. (PRC)
49%
51%
51.02%
66%
Nanning Yaohui Property Development Co., Ltd.
Liuzhou Logan Mingjun Property Development Co., Ltd.
Beijing Runjing Property Co., Ltd.
Nanning Logan Liarun Property Development Co., Ltd. (PRC)
Nanning Logan Mingjun Property Development Co., Ltd. (PRC)
Guilin Logan Bojun Property Development Co., Ltd. (PRC)
Nanning Logan Junchi Property Development Co., Ltd. (PRC)
Chengdu Logan Property Co., Ltd. (PRC)
Nanning Logan Jinjun Property Development Co., Ltd. (PRC)
Foshan Nanhai Logan Realty Co., Ltd. (PRC)
Foshan Logan Sunshine Seaward Property Co., Ltd. (PRC)
Nanning Logan Bojun Property Development Co., Ltd. (PRC)
Haikou Logan Property Development Co., Ltd. (PRC)

OVERVIEW

We are a property developer in the PRC focusing on the residential property market, and our products are primarily targeted at first-time homebuyers and upgraders. We believe demand from such customers is less susceptible to fluctuations in property prices and thus provides stability to our business profile. In 2017, we were ranked as the 29th largest property developer in the PRC by comprehensive strength.[1]

We have a land bank comprising land we acquired at competitive prices, and we strive to build our land bank by establishing and expanding our presence in economic regions which we believe hold high growth potential. As of December 31, 2016, we had a land bank with an aggregate GFA of 14.1 million sq.m., primarily comprising residential property projects with ancillary retail shops, as well as an office property project where our headquarters is located. As of December 31, 2016, approximately 50% of our land bank was located in the Pearl River Delta region, among which 40% of our land bank was located in Shenzhen; and approximately 16% and 26% of the land bank was located in Shantou and Nanning, respectively. We believe our current land bank will be sufficient to meet our development needs and will provide a solid foundation for our continuing growth and profitability for the next five to six years, based on our current projections and our historical sales and land development records.

We have established a replicable property development process, which is supported by our in-house departments and subsidiaries specialising in design and planning, construction, decoration, procurement, sales, customer services and each other major step in the property development process. We leverage our ability to build projects through Logan Construction, our own construction subsidiary, and our centralised and strategic procurement, quick development operation model and cost control over the whole property development process to optimise our costs, shorten development cycles, improve cash flow and maintain profitability. Through our strategic planning and disciplined property development process, we aim to achieve high asset revenue for our projects. We generally target commencing pre-sales of properties within six to 10 months of acquiring a parcel of land for a substantial majority of our projects.

As of December 31, 2016, we had completed a total GFA of over 15 million sq.m. Over the past 20 years, we have established ourselves as one of the leading developers focusing on residential properties in China's economically developed cities, regions and emerging areas, including, among others, Shenzhen and other cities located in the Pearl River Delta region, Shantou and Nanning. In 2017, our Group was recognised as a "2017 Top 100 Chinese Real Estate Developers—Top 10 in Profitability" jointly by the Enterprise Research Institute of Development Centre of the State Council of PRC (國務院發展研究中心企業研究所), the Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究所). We believe that our track record, together with the strength of our "Logan" (龍光) brand and the leadership and vision of our management team, positions us well to expand into other cities in the PRC. In 2015 and 2016, our revenue was RMB14,574.0 million and RMB20,538.8 million (US$2,958.2 million), respectively, and our net profit was RMB2,687.8 million and RMB5,199.9 million (US$748.9 million), respectively, for the same periods.

Notes:

(1) The ranking is based on a joint evaluation by Enterprise Institute of the Development Research Centre of the State Council of China, Institute of Real Estate Studies of Tsinghua University and China Index Academy of the largest property developers in the PRC by comprehensive strength in 2017.

We have developed a diversified product portfolio which includes high-rise apartment buildings and low-rise garden apartments, among others, catering to the residential property market. We have developed two distinctive product styles, namely neoclassical and art deco, each of which comprises standardised designs for facades, interior designs and landscaping, as well as standardised parts and materials. We leverage our quick development operation model and our standardised control over each step of our property development process to ensure product and service quality, maintain and improve our future development and profitability.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are supported by a combination of the following key competitive strengths:

We have a land bank comprising land we acquired at competitive prices concentrated in the economically developed Pearl River Delta region and in Shantou and Nanning, which provides a solid foundation for our future growth and profitability

As of December 31, 2016, we had a land bank with an aggregate GFA of 14.1 million sq.m., which include 1.8 million sq.m. in completed projects, 6.5 million sq.m. in projects under development, and 5.8 million sq.m. in projects for future development. Driven by our knowledge of government policies and regional development trends, we have focused our strategic development on, among others, Shenzhen and other cities located in the Pearl River Delta region, Shantou and Nanning, with a substantial majority of our land bank concentrated in the economically developed Pearl River Delta region. We believe our land bank will be sufficient to meet our development needs for the next five to six years, based on our current projections and our historical sales and land development records. We believe that such holdings allow us to leverage our familiarity and experience in the areas where we have an established presence and benefit from our existing brand and reputation.

We have established a land bank comprising land we acquired at competitive prices through a combination of comprehensive development and complementary project planning. We follow a careful project selection process, and primarily acquire land for our projects through participation in the government public tender and listing-for-sale land grant processes. We acquired certain land parcels at competitive prices, such as those for Logan City, when the infrastructure and common facilities such as roads, schools or commercial districts had not yet been fully developed in their vicinity. As of December 31, 2016, the average cost of land in our land bank was RMB3,384 (US$487.4) per sq.m. GFA, calculated by the total paid and payable land premiums for such land divided by total GFA. We believe our land bank comprising land we acquired at competitive prices not only supports our future profitability but also gives us greater financial flexibility to respond more effectively to changing market conditions.

We have effective cost control over the entire property development process

We build most of our projects through Logan Construction, our construction subsidiary, which, together with our centralised procurement management, gives us more effective control over construction costs through synergies with our property development management capabilities. Furthermore, Logan Construction possesses a National Housing Construction General Contracting Class 1 Qualification Certificate (國家房屋建築工程施工總承包一級資質認證), enabling it to continue to act as general contractor for our projects as we expand into other high-growth cities elsewhere in China.

We believe we have developed an effective cost control system covering the entire property development process, which enables us to effectively control and manage costs at each step of the project development process. At the initial stage of project design, we seek to make accurate cost projections based upon our prior experience and historical data, and strive to ensure effective cost control through continually monitoring the implementation of such target costs, monitoring market developments, and providing cost control feedback throughout the project design process.

We believe that our tight cost controls, together with our land bank acquired at competitive prices and our standardised product designs and management processes, have been essential in achieving our net profit margins. In 2015 and 2016, our net profit margins (excluding changes in fair value of investment properties and derivatives and the relevant deferred taxes)[2] were 13.6% and 15.1%, respectively.

We have established diversified funding channels and maintained prudent financial management

In the PRC, we had established cooperative relationships with, and received loans and financings from, major PRC banks including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Ping An Bank and China Merchants Bank as of December 31, 2016. We were granted offshore loan facilities of US$105 million by a syndicate of lenders in October 2014. Through our initial public offering in December 2013 and the offering of the Existing Notes and Corporate Bonds, we were able to further diversify our financing sources and obtain funding through accessing the capital markets. We believe our multiple financing channels will provide us with flexibility to fund our operations and enhance our liquidity position.

We have also adopted a prudent financial management approach and carefully managed our financial resources and costs. To do so, we closely monitor our capital and indebtedness levels, the maturity profiles of our borrowings and our cost of capital. As of December 31, 2016, our current ratio, which is equal to our current assets divided by our current liabilities, was 1.9. As of the same date, our total borrowings (excluding the Existing Notes and Corporate Bonds) were RMB15,078.0 million (US$2,171.7 million), of which RMB3,370.5 million (US$485.5 million) was due within one year and the remaining was due after one year. Our cash and cash equivalents amounted to RMB13,559.8 million (US$1,953.0 million) as of December 31, 2016. Our average cost of capital in 2015 and 2016 and was 6.8% and 6.1%, respectively, as calculated by (i) total borrowing costs during a year or period divided by (ii) the average of the beginning and ending balances of total borrowings for such year or period. Going forward, we believe that by adhering to our prudent financial management approach, we will be able to utilise our financial resources more efficiently and maintain healthy financial conditions.

Leveraging our considerable strength in various cities in southern China, we can readily expand into other high-growth regions

We have accumulated many years of experience developing projects in Guangdong Province, comprising, among others, Shenzhen, Guangzhou, Shantou, Zhuhai and Huizhou. Since 1997, we have established brand recognition in Shantou through the completion of 30 projects with a total GFA of over 3.9 million sq.m. Leveraging our success and valuable experience in Guangdong Province, in 2006 we expanded into Guangxi Province through the launch of Provence, which is expected to have a total GFA of 4.2 million sq.m. upon completion. In 2011, we were recognised as the second-largest property developer in Nanning by revenue, according to the China Real Estate Information Corporation. Over the past 20 years, we have established ourselves as one of the leading developers focusing on residential properties in China's economically developed cities, regions and emerging areas, including Shenzhen and other cities located in the Pearl River Delta region, Shantou, Nanning and other areas. We believe that our established market position and 20 years of experience position us well to expand our business into other high-growth regions.

We have developed multiple projects in most of the cities in which we operate, through which we believe we have established brand name recognition and customer loyalty, while maintaining a diversified presence in a variety of locations. We believe that our strategy of focusing on certain target regions and building multiple property projects per region has enabled us to consolidate our market position while distributing risk.

---

(2) The calculation of net profit margin (excluding changes in fair value of investment properties and the relevant deferred taxes) is based on profit for the year (excluding changes in fair value of investment properties and the relevant deferred taxes) divided by revenue for such year and multiplied by 100%.

We have a well-experienced management team and have established comprehensive human resources policies to support our future development

Our management team has a wealth of property development management experience in both the investment and operational aspects of the property development process. Mr. Kei, our founder and Chairman, has 20 years of substantial management and leadership experience in the property development industry, and our senior management have an average of over eight years of experience in the property development industry. Under their leadership, we had completed a number of projects with a total GFA of over 15 million sq.m. as of December 31, 2016, including numerous award-winning projects. For example, we successfully completed Phases one through five of Provence, which was recognised as a "Gold Medal International Cultural Community—Innovative Model Habitat" in 2007. Provence was also recognised by SouFun.com Limited as the number one project in Nanning, Guangxi Province by sales for three consecutive years between 2008 and 2010. In addition, Logan City was recognised in 2013 as the "2012 China Urban Area Most Valuable Property."

We place strong emphasis on our training systems and structure training plans tailored to the needs of employees at different levels. For example, we have an elite manager training plan, senior management promotion programme and manager promotion programme. Through years of development, we have assembled an experienced core management team. As we expand our business, we engage external recruitment firms for talent searches, and work to attract elite personnel in our industry to complement the abilities of our existing management team. We have also engaged consulting firms to regularly evaluate and improve our human resources policies.

BUSINESS STRATEGIES

We intend to grow and strengthen our business through the implementation of the following core business strategies:

Consolidate our market position in Guangdong and Guangxi Provinces, and selectively expand into other high-growth regions

We will continue to focus our property development business on Guangdong and Guangxi Provinces and further enhance our market position in Shenzhen, Shantou and Nanning. We aim to strengthen our ability to develop multiple projects in our targeted regions to achieve economies of scale. We believe that, by virtue of our successful operating experience and resources in these regions, we will be able to further increase the speed and effectiveness of our project development process, enhancing the profitability and returns on investment of our projects. In addition, we plan to continue conducting in-depth research on national and regional government policies, economies and urbanisation trends and monitoring and researching quality sites to selectively expand our business into regions that we believe have high growth potential.

Maintain our competitiveness by focusing on producing high-quality, value-added properties for first-time homebuyers and upgraders

We aim to continue our core focus on the residential property market, with emphasis on demand from first-time homebuyers and upgraders. We believe that our focus on these types of properties is suitable in light of urbanisation trends and the recent macroeconomic control measures introduced by the PRC government, and that these types of properties will continue to benefit from high levels of demand as a result. We also plan to strengthen our customer-oriented business approach through the improvement and innovation of the design, landscaping and facilities of our property development projects to offer our customers innovative, livable, high-value-added and high-quality residences and services.

At the same time, we plan to strengthen our "Logan" (龍光) brand image and market awareness through offering high-quality product and services, and offer more value-added services to customers. We will continue to improve our customer relationship management through our membership programme for purchasers of our properties, Logan Club (龍光會), to further enhance our brand equity.

Further attract, develop and retain managerial talents and further elevate managerial expertise

We aim to further attract and retain managerial talents. Toward this end, we have conditionally adopted a share option scheme to provide incentives to our directors, senior management and key department heads, entitling the holders to subscribe for share options of our Company. Furthermore, we plan to further elevate our management's managerial expertise and develop future managerial candidates through investments in both internal and external training. Through these measures, we believe that we can establish and retain talented management personnel to enhance our current operations and support our future growth.

Continue implementing a high-efficiency operating philosophy to achieve a quick development operation model, further enhancing our operating results

We have implemented a high-efficiency operating philosophy, in which we place significant emphasis on operational efficiency, results and profitability to achieve comprehensive and balanced development and enhance our control over the property development process. We plan to leverage this operating philosophy as a platform to fully implement a quick development operation model, where we efficiently complete the development of our property projects, by expanding our strategic procurement initiatives through our standardised product designs, helping us ensure the continuing supply of high-quality materials, while taking advantage of economies of scale to reduce supply costs. We also plan to continue refining the elements of our property development process to ensure that we are able to achieve our product quality and revenue goals and achieve dynamic cost control over the entire property development process, enabling us to protect project progress, quality and profitability, realise our high-efficiency operating philosophy and further enhance our overall efficiency.

RECENT DEVELOPMENTS

Land Acquisition

Subsequent to December 31, 2016, we have entered into certain agreements in relation to the purchase of two parcels of land. The following table sets forth certain information concerning such land:

Time of acquisition	Location	Project	Attributable interest	Site area	Planned total GFA	Consideration		Type
			%	*sq.m.*	*sq.m.*	*RMB in millions*	*US$ in millions*	
February 14, 2017	Liuzhou	Liudong New District Business Centre (柳東新區商務中心)	100%	187,443	620,565	1,102.7	158.8	Residential and retail
February 24, 2017	Hong Kong	Ap Lei Chau	50%	11,761	42,480–70,800	14,832.4	2,136.3	Non-industrial

On February 24, 2017, the Hong Kong Lands Department announced that the tender for a site in Ap Lei Chau, Hong Kong, has been awarded to the highest tenderer, Unicorn Bay (Hong Kong) Investments Limited, an entity which will be indirectly held jointly by us and KWG Property Holding Limited, on a 50-year land grant at a premium of HK$16,855.78 million (RMB14,832.4 million). The site has a site area of about 11,761 sq.m. and is designated for non-industrial (excluding godown, hotel and petrol filling station) purposes. The minimum GFA and the maximum GFA are 42,480 sq.m. and 70,800 sq.m., respectively. We plan to fund our portion of the premium for the acquisition of the site with our internal and external funds, including bank loans for which we are currently in discussions with certain lenders. Such loans may or may not be granted and drawn down prior to the issuance of the Securities.

Proposed Redemption of June 2014 Notes

On May 18, 2017, we announced an announcement that we have informed the trustee and the holders of the June 2014 Notes that all of the outstanding June 2014 Notes will be redeemed in full on June 19, 2017.

OUR PROPERTY PROJECTS

Overview

As of December 31, 2016, we had a number of property projects under various stages of development located in Shenzhen, Shantou, Guangzhou, Foshan, Nanning, Dongguan, Zhuhai, Huizhou, Zhongshan, etc.

Most of our property development projects are phases of larger property developments, and each phase may be in a different stage of development. We classify our property development projects for which we have obtained some or all of the land use rights certificates, into the following three categories: (i) completed properties, (ii) properties under development and (iii) properties held for future development. Other projects, for which we have entered into contracts but have not obtained any land use rights certificates, are classified as projects contracted to be acquired.

The table below sets forth a breakdown of our total land bank by cities for our property projects as of December 31, 2016:

			Held for future development		
	Completed and unsold GFA[1]	Under development	Follow-on projects[2]	New Projects	Total
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
Total land bank by region and city:					
Pearl River Delta region					
—Shenzhen	192,323	2,466,374	2,705,542	—	5,364,239
—Guangzhou	154,121	—	—	—	154,121
—Huizhou	193,793	—	—	—	193,793
—Foshan	219,002	699,551	—	—	918,553
—Zhongshan	56,718	—	—	—	56,718
—Zhuhai	—	272,112	—	—	272,112
—Dongguan	63,976	—	—	—	63,976
Sub-total	879,933	3,438,037	2,705,542	—	7,023,512
Shantou	391,683	1,336,230	156,907	344,051	2,228,871
Nanning	493,690	725,815	574,966	—	1,794,471
Guilin	—	169,997	337,991	—	507,988
Fangchenggang	—	389,453	952,264	—	1,341,717
Hainan	—	121,791	426,142	—	547,933
Chengdu	54,422	282,679	308,963	—	646,064
Total land bank	1,819,728	6,464,002	5,462,775	344,051	14,090,556

Notes:

(1) Figures in the table equal total GFA less (i) total saleable GFA sold and (ii) GFA attributable to car parks sold.

(2) Follow-on projects consisted of new phases or portions of projects that had been competed or were under development as of December 31, 2016.

The table below sets forth a breakdown of our total saleable/leasable GFA (net of saleable GFA sold) of our property projects by planned use as of December 31, 2016[1]:

	Completed	Under development	Held for future development	Total
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
Properties for sales				
Residential	626,743	798,101	675,915	2,100,759
Retail	115,506	657,920	203,326	976,752
Office	796,581	3,886,205	3,473,082	8,155,868
Sub-total	1,538,830	5,342,226	4,352,323	11,233,379
Properties held for investment				
Retail	43,741	123,581	92,112	259,435
Office	43,934	—	118,008	161,942
Others	39,178	—	—	39,178
Sub-total	126,853	123,581	210,120	460,555
Total saleable/leasable GFA (net of saleable GFA sold)	1,665,683	5,465,807	4,562,443	11,693,934

Note:

(1) Figures in the table do not take GFA attributable to car parks into consideration.

We include in this information memorandum the project names which we have used, or intend to use, to market our properties as of the date of this information memorandum. Some of the project names require the approval of relevant authorities as of the date of this information memorandum, and the relevant authorities might not have accepted or may not accept the names we have used or those that we intend to use as the registered names of the projects. As a result, the actual names registered with relevant authorities may be different from the names we have used or intend to use, and the names we use or intend to use may be subject to change.

The table below sets forth details of our property development projects as of December 31, 2016:

Completed Properties

	Projects	City	Use	Site area	Total GFA	Total saleable/ leasable GFA (inclusive of GFA sold)(1)	Total saleable GFA: Sold(2)	Total saleable GFA: Pre-sold(2)	Total saleable GFA: Unsold(2)	Unsold and presold saleable GFA	Total leasable GFA held as investment(2)	Construction completion date(3)	Pre-sales commencement date(4)	Interest attributable to us (5)
				(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)			(%)
1	Grand Joy Garden (水悦馨園)	Zhongshan	Residential/Retail	58,908	176,398	171,913	152,920	911	18,082	18,993	—	April 2016	June 2014	100%
2	Zhongshan Grand Garden (水悦熙園)	Zhongshan	Residential/Retail	36,897	115,765	102,601	96,987	—	5,614	5,614	—	November 2014	June 2013	100%
3	Ocean Grange (海悦熙園)	Zhongshan	Residential/Retail	36,667	113,057	103,901	99,696	3,908	297	4,205	—	April 2014	April 2013	100%
4	Ocean Vista Residence (海悦華庭)	Zhongshan	Residential/Retail	62,233	163,378	159,725	156,096	1,212	2,417	3,629	—	May 2015	November 2013	100%
5	Shenzhen Sky Palace (天悦龍庭)	Shenzhen	Residential/Retail	51,826	170,307	170,478	162,148	—	8,330	8,330	7,021	October 2005	December 2004	100%
6	Logan Century Centre (世紀大廈)	Shenzhen	Office	17,203	56,600	56,600	13,018	—	43,582	43,582	42,090	June 2016	N/A	100%
7	Logan City (Completed Portion) (龍光城(竣工部分))	Shenzhen	Residential/Retail	850,867	2,307,931	2,103,356	1,701,614	15,598	386,144	401,742	32,961	December 2015	September 2011	90%
8	Shenzhen Grand Riverside Bay (君悦龍庭)	Shenzhen	Residential/Retail	66,708	30,730	178,774	168,111	—	10,663	10,663	—	December 2008	April 2008	100%
9	Acesite Mansion (玖龍璽)	Shenzhen	Residential/Retail	46,647	248,439	179,122	116,392	6,254	56,476	62,730	4,966	December 2016	October 2015	100%
10	Royal & Seaward Sunshine Palace (Phase 1) (御海陽光一期)	Shantou	Residential/Retail	46,022	210,613	141,532	113,492	8,210	19,830	28,040	—	October 2016	June 2015	100%
11	Royal & Seaward Sunshine Palace (Phase 3) (御海陽光三期)	Shantou	Residential/Retail	13,336	61,030	35,063	12,381	10,806	11,876	22,682	—	October 2016	June 2016	100%
12	Royal & Seaward Sunshine Palace (Phase 2) (御海陽光二期)	Shantou	Residential/Retail	36,736	168,118	165,178	139,696	8,211	17,271	25,482	—	October 2016	August 2015	100%
13	Sunshine Castle (Phase 1) (陽光華府一期)	Shantou	Residential/Retail	5,166	24,474	21,556	20,946	73	537	610	—	December 2012	March 2012	100%
14	Seaward Sunshine (Phase 1) (尚海陽光一期)	Shantou	Residential/Retail	71,764	723,365	583,291	532,099	11,815	39,377	51,192	3,340	December 2013	November 2012	100%
15	Flying Dragon Garden (Phase 1) (龍騰熙園一期)	Shantou	Residential/Retail	53,851	224,513	220,199	219,513	—	686	686	3,260	March 2012	December 2011	100%
16	Flying Dragon Landscape (Phase 1) (龍騰嘉園一期)	Shantou	Residential/Retail	43,657	667,878	575,714	475,878	17,897	81,939	99,836	—	November 2016	October 2015	100%
17	Shantou Century Centre (汕頭世紀大廈)	Shantou	Office	—	1,843	—	—	—	1,843	1,843	1,843	N/A	N/A	91%
18	Nanning Grand Riverside Bay (水悦龍灣)	Nanning	Residential/Retail	105,952	628,124	612,208	555,393	421	56,394	56,815	14,901	July 2014	March 2012	100%
19	Provence (Completed Portion) (普羅旺斯(竣工部分))	Nanning	Residential/Retail	503,639	1,917,706	1,770,147	1,658,418	4,977	106,752	111,729	12,519	June 2016	December 2006	100%
20	Nanning Grand Joy Castle (Phase 1) (君悦華庭一期)	Nanning	Residential/Retail	34,519	176,877	174,411	147,705	—	26,706	26,706	—	June 2016	November 2014	100%
21	Royal Castle (Phase 1) (君御華府一期)	Nanning	Residential/Retail	142,312	146,060	140,254	124,418	2,493	13,343	15,836	—	July 2016	May 2014	100%

	Projects	City	Use	Site area	Total GFA	Total saleable/ leasable GFA (inclusive of GFA sold)(1)	Total saleable GFA Sold(2)	Pre-sold(2)	Unsold(2)	Unsold and presold saleable GFA	Total leasable GFA held as investment(2)	Construction completion date(3)	Pre-sales commencement date(4)	Interest attributable to us (5)
				(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*			*(%)*
22	Palm Waterfront (棕櫚水岸)	Guangzhou	Residential/Retail	158,431	300,122	263,934	255,919	53	7,962	8,015	—	December 2011	June 2010	100%
23	Fragrant Valley (香悅山莊)	Guangzhou	Residential/Retail	39,299	40,741	40,865	37,836	2,709	320	3,029	—	June 2011	August 2010	100%
24	Landscape Residence (峰景華庭)	Guangzhou	Residential/Retail	102,732	308,630	311,753	272,695	20,819	18,238	39,058	471	October 2010	April 2008	100%
25	Sky Lake Castle (Phase 1) (天湖華府一期)	Foshan	Residential/Retail	29,643	97,866	96,005	—	59,704	36,301	96,005	—	September 2016	October 2015	100%
26	Grand View (Phase 1) (水悅雲天一期)	Foshan	Residential/Retail	83,033	374,375	330,297	329,424	267	606	873	—	November 2011	January 2010	100%
27	Grand Garden (Phase 1) (水悅熙園一期)	Foshan	Residential/Retail	41,683	56,576	54,883	51,815	2,712	356	3,068	—	June 2016	October 2015	100%
28	Foshan Grand Riverside Bay (Phase 1) (水悅龍灣一期)	Foshan	Residential/Retail	69,947	230,695	196,631	183,527	2,800	10,304	13,104	—	December 2014	September 2013	100%
29	Foshan Grand Riverside Bay (Phase 2) (水悅龍灣二期)	Foshan	Residential/Retail	26,107	86,103	85,578	70,798	2,850	11,929	14,780	—	October 2016	April 2015	100%
30	Shine Street Building (Phase 1) (尚街大廈一期)	Foshan	Residential/Retail	18,948	72,531	64,004	52,704	8,184	3,117	11,301	—	November 2015	September 2014	100%
31	Foshan Joy Palace (Phase 1) (君悅龍庭一期)	Foshan	Residential/Retail	71,196	296,351	265,900	235,715	14,290	15,896	30,185	—	December 2014	September 2013	100%
32	Foshan Grand Joy Castle (Phase 1) (君悅華府一期)	Foshan	Residential/Retail	81,468	83,164	78,950	70,902	–2,700	10,748	8,048	—	September 2015	November 2013	100%
33	Fangchenggang Sunshine Seaward (Completed Portion) (陽光海岸(竣工部分))	Fangchenggang	Residential/Retail	334,048	1,286,466	1,210,482	1,040,813	39,163	130,506	169,669	6,012	May 2015	June 2010	100%
34	Imperial Summit Sky Villa (君御旗峰豪園)	Dongguan	Residential/Retail	47,191	207,498	158,814	153,390	102	5,322	5,424	—	November 2013	September 2014	100%
35	Dongguan Grand Joy Castle (君御華府)	Dongguan	Residential/Retail	84,930	68,820	61,780	60,610	1,069	101	1,170	—	June 2015	June 2014	100%
36	Chengdu Sky Palace (Phase 1) (天悅龍庭一期)	Chengdu	Residential/Retail	47,191	234,865	225,633	197,256	—	28,377	28,377	—	March 2014	November 2012	100%
37	Logan • Provence (Phase 1) (龍光 • 普羅旺斯一期)	Guilin	Residential/Retail	22,298	30,365	28,409	15,070	9,721	3,618	13,339	—	September 2016	March 2015	100%
38	Sea & City (Phase 1) (海雲天一期)	Hainan	Residential/Retail	66,541	61,135	59,396	54,310	2,126	2,960	5,086	—	May 2017	February 2015	100%
39	Sky Palace (天悅龍庭)	Huizhou	Residential/Retail	259,333	385,616	358,439	275,546	—	82,893	82,893	—	August 2014	June 2014	100%
40	Grand Riverside Bay (Phase 1) (水悅龍灣一期)	Huizhou	Residential/Retail	78,405	229,356	215,578	213,552	—	2,026	2,026	—	August 2016	April 2015	100%
41	Hong Kong Project (香港項目)	Hong Kong	Residential	—	2,433	—	—	—	2,433	2,433	2,433	N/A	N/A	100%
	Subtotal			3,947,332	12,786,914	11,773,354	10,238,801	256,656	1,282,173	1,538,829	131,817			

Properties under Development

	Projects	City	Use	Site area	Total GFA	Total saleable/ leasable GFA (inclusive of GFA sold)[1]	Total saleable GFA: Sold[2]	Total saleable GFA: Pre-sold[2]	Total saleable GFA: Unsold[2]	Unsold and presold saleable GFA	Total leasable GFA held as investment[2]	Construction completion date[3]	Pre-sales commencement date[4]	Interest attributable to us [5]
				(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)			(%)
42	Acesite Castle (玖龍府)	Zhuhai	Residential/Retail	49,468	191,505	187,214	—	19,134	168,080	187,214	—	N/A	July 2016	100%
43	Jiulong Bay (九龍灣)	Zhuhai	Residential/Retail	15,877	78,911	77,153	—	24,313	52,840	77,153	—	N/A	April 2016	100%
44	Logan City Commercial Centre (龍光城商業中心)	Shenzhen	Residential/Retail	23,744	92,163	2,550	—	—	2,550	2,550	87,146	N/A	December 2016	90%
45	Logan City (North Phase 11) (龍光城北十一期)	Shenzhen	Residential/Retail	63,553	182,638	177,515	—	160,709	16,806	177,515	—	N/A	May 2016	90%
46	Logan City (North Phase 12) (龍光城北十二期)	Shenzhen	Residential/Retail	59,292	170,495	166,379	—	138,388	27,991	166,379	—	N/A	July 2016	90%
47	Logan City (North Phase 8) (龍光城北八期)	Shenzhen	Residential/Retail	90,619	260,421	248,481	—	152,034	96,447	248,481	—	N/A	March 2016	90%
48	Logan Carat Complex No. 11 (玖鑽11地塊)	Shenzhen	Residential/Retail/ Office	28,221	254,599	178,780	—	—	178,780	178,780	118,008	N/A	April 2017	50%
49	Logan Carat Complex No. 05 (玖鑽05地塊)	Shenzhen	Residential/Retail	34,250	307,777	226,936	—	—	226,936	226,936	—	N/A	N/A	50%
50	Masterpiece (Phase 1) (玖雲著一期)	Shenzhen	Residential/Retail	20,173	138,535	99,843	—	—	99,843	99,843	—	N/A	March 2017	100%
51	Acesite Park (玖龍台)	Shenzhen	Residential/Retail/ Office	63,523	328,063	200,119	—	—	200,119	200,119	—	N/A	May 2017	50%
52	Royal & Seaward Sunshine Palace (Phase 4) (御海陽光四期)	Shantou	Residential/Retail	50,174	229,614	205,236	—	168,941	36,295	205,236	—	N/A	December 2015	100%
53	Royal & Seaward Jubilee Garden (Phase 1) (御海禧園一期)	Shantou	Residential/Retail	31,454	131,989	116,251	—	83,028	33,223	116,251	—	N/A	May 2016	100%
54	Royal & Seaward Jubilee Garden (Phase 2) (御海禧園二期)	Shantou	Residential/Retail	40,036	168,001	143,094	—	82,435	60,659	143,094	—	N/A	July 2016	100%
55	Royal & Seaward Jubilee (Phase 1) (御海天禧一期)	Shantou	Residential/Retail	82,275	263,948	223,570	—	—	223,570	223,570	—	N/A	January 2017	100%
56	Sea & Sunshine (Phase 1) (碧海陽光一期)	Shantou	Residential/Retail	46,328	394,487	336,593	—	7,582	329,011	336,593	—	N/A	February 2016	100%
57	Provence (Phase 10) (普羅旺斯十期)	Nanning	Residential/Retail	15,386	72,570	66,984	3,157	56,097	7,730	63,827	—	N/A	October 2015	100%
58	Jiulong Lake (Phase I) (玖瓏湖一期)	Nanning	Residential/Retail	79,415	327,283	303,516	—	147,669	155,847	303,516	—	N/A	May 2016	100%
59	Acesite Castle (玖瓏府一期)	Nanning	Residential/Retail	11,705	90,395	82,569	—	—	82,569	82,569	—	N/A	N/A	100%
60	Huizhou Grand Riverside Bay (Phase 1) (水悅龍灣一期)	Huizhou	Residential/Retail	27,548	84,732	82,282	—	—	82,282	82,282	—	N/A	April 2015	100%
61	Sea & City (Phase 1) (海雲天一期)	Hainan	Residential/Retail	91,890	84,763	115,175	—	80,256	34,919	115,175	—	N/A	November 2015	100%

	Projects	City	Use	Site area	Total GFA	Total saleable/ leasable GFA (inclusive of GFA sold)(1)	Total saleable GFA			Unsold and presold saleable GFA	Total leasable GFA held as investment(2)	Construction completion date(3)	Pre-sales commencement date(4)	Interest attributable to us (5)
							Sold(2)	Pre-sold(2)	Unsold(2)					
				(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*			*(%)*
62	Logan Provence (Phase 1) (龍光•普羅旺斯一期)	Guilin	Residential/Retail	136,977	190,569	157,234	65,097	37,156	54,980	92,137	—	N/A	March 2015	100%
63	Grand Garden (Phase 1) (水悅熙園一期)	Foshan	Residential/Retail	41,683	195,989	161,891	—	110,529	51,362	161,891	—	N/A	October 2015	100%
64	Foshan Grand Riverside Bay (Phase 1) (水悅龍灣一期)	Foshan	Residential/Retail	1,249	4,119	2,765	—	2,352	413	2,765	—	N/A	October 2013	100%
65	Foshan Grand Riverside Bay (Phase 2) (水悅龍灣二期)	Foshan	Residential/Retail	34,733	114,554	59,986	—	37,132	22,854	59,986	—	N/A	July 2014	100%
66	Foshan Joy Palace (Phase 1) (君悅龍庭一期)	Foshan	Residential/Retail	632	2,630	2,616	—	—	2,616	2,616	—	N/A	September 2013	100%
67	Acesite Bay (Phase 1) (玖龍灣一期)	Foshan	Residential/Retail	53,732	212,601	211,349	—	—	211,349	211,349	—	N/A	March 2017	100%
68	Acesite Bay (Phase 2) (玖龍灣二期)	Foshan	Residential/Retail	27,736	109,742	107,889	—	—	107,889	107,889	—	N/A	September 2017	100%
69	Sunshine Seaward (Phase 1) (Front Plaza Complex No. 1) (陽光海岸一期前廣場綜合體1號)	Fangchenggang	Residential/Retail	21,001	59,849	59,849	—	16,951	42,898	59,849	—	N/A	November 2015	100%
70	Sunshine Seaward (Phase 5) (Villas) (陽光海岸五期洋房)	Fangchenggang	Residential/Retail	15,829	45,111	41,622	—	7,339	34,283	41,622	—	N/A	September 2016	100%
71	(Sunshine Seaward (Phase 4) (Group 1) (陽光海岸四期一組團)	Fangchenggang	Residential/Retail	42,322	80,892	114,578	—	35,414	79,165	114,578	—	N/A	September 2015	100%
72	Grand Joy Castle (Phase 1) (君悅華庭一期)	Chengdu	Residential/Retail	41,719	170,398	163,754	76,714	43,645	43,395	87,040	—	N/A	June 2016	100%
73	Grand Joy Castle (Phase 2) (君悅華庭二期)	Chengdu	Residential/Retail	43,211	176,496	173,518	—	107,791	65,727	173,518	—	N/A	March 2015	100%
	Subtotal			1,385,755	5,215,839	4,497,292	144,969	1,518,894	2,833,429	4,352,323	205,154			

Properties Held for Future Development

	Projects	City	Use	Site area	Total GFA	Total saleable/ leasable GFA (inclusive of GFA sold)[1]	Total saleable GFA Sold[2]	Pre-sold[2]	Unsold[2]	Unsold and presold saleable GFA	Total leasable GFA held as investment[2]	Construction completion date[3]	Pre-sales commencement date[4]	Interest attributable to us [5]
				(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*			*(%)*
74	Logan City (Remaining Land) (龍光城(擬建部分))	Shenzhen	Residential/Retail	607,269	2,025,591	1,752,624	—	—	1,752,624	1,752,624	—	N/A	N/A	90%
75	Logan Carat Complex No. 9 (玖鑽09地塊)	Shenzhen	Residential/Retail	24,575	220,737	171,470	—	—	171,470	171,470	—	N/A	N/A	50%
76	Acesite Park (Phase 3) (玖龍台三期)	Shenzhen	Residential/Retail	44,531	229,980	219,530	—	—	219,530	219,530	—	N/A	N/A	50%
77	Acesite Park (Phase 2) (玖龍台二期)	Shenzhen	Residential/Retail	44,387	229,234	89,350	—	—	89,350	89,350	—	N/A	N/A	50%
78	Royal & Seaward Sky Joy (Phase 2) (御海天禧二期)	Shantou	Residential/Retail	48,969	156,907	153,707	—	—	153,707	153,707	—	N/A	N/A	100%
79	East Coast Land Parcel (Phase 1) (東海岸大地塊一期)	Shantou	Residential/Retail	48,958	170,000	170,000	—	—	170,000	170,000	—	N/A	N/A	100%
80	East Coast Land Parcel (Phase 2) (東海岸大地塊二期)	Shantou	Residential/Retail	48,958	174,051	174,051	—	—	174,051	174,051	—	N/A	N/A	100%
81	Xiangsi Lake Land Parcels B&C (Phase 1) 相思湖B、C地塊一期	Nanning	Residential/Retail	36,932	181,521	132,683	—	—	132,683	132,683	50,000	N/A	N/A	100%
82	Jiulong Lake (Phase 2) (玖瓏湖二期)	Nanning	Residential/Retail	62,897	283,341	261,898	—	—	261,898	261,898	—	N/A	N/A	100%
83	Jiulong Castle (Phase 1) (玖瓏府一期)	Nanning	Residential/Retail	37,763	291,625	249,072	—	—	249,072	249,072	—	N/A	N/A	100%
84	Seaside Dragon Bay (海語龍灣)	Lingshui	Residential/Retail	259,333	426,142	426,142	—	—	426,142	426,142	—	N/A	N/A	100%
85	Logan Provence (Phase 2) (龍光 • 普羅旺斯二期)	Guilin	Residential/Retail	85,910	337,991	315,454	—	—	315,454	315,454	—	N/A	N/A	100%
86	Sunshine Seaward (Remaining Land) (陽光海岸(擬建部分))	Fangchenggang	Residential/Retail	344,351	952,264	936,670	—	—	936,670	936,670	—	N/A	N/A	100%
87	Chenghua Project (Phase 1) (成華項目一期)	Chengdu	Residential/Retail	31,803	300,358	289,575	—	—	289,575	289,575	73,581	N/A	N/A	
	Subtotal			1,726,636	5,979,742	5,342,226	—	—	5,342,226	5,342,226	123,581			
	Total			7,059,722	23,982,495	21,612,872	10,383,770	1,775,550	9,457,828	11,233,378	460,553			

Notes:

(1) Total GFA (including GFA that has been sold) minus car parks, non-saleable areas and public areas.

(2) The total saleable GFA sold, pre-sold, remaining unsold and total leasable GFA held as investment do not include car parks, non-saleable areas and public areas and have been derived from our internal records.

(3) The actual or estimated construction completion date represents the completion date of the whole project. Certain properties within the project may have been completed before that date. Actual construction completion date is based on the completion certificate or other relevant documents, depending on which documents are available. Expected construction completion date is based on our current estimation.

(4) The actual or expected pre-sales commencement date is based on pre-sale permits or our project plans (for projects for which we have not obtained pre-sale permits).

(5) Attributable interest is based on our effective ownership interest in the respective project companies.

Description of Our Projects

The map below sets out the cities where we had property projects as of December 31, 2016:

INVESTMENT PROPERTIES

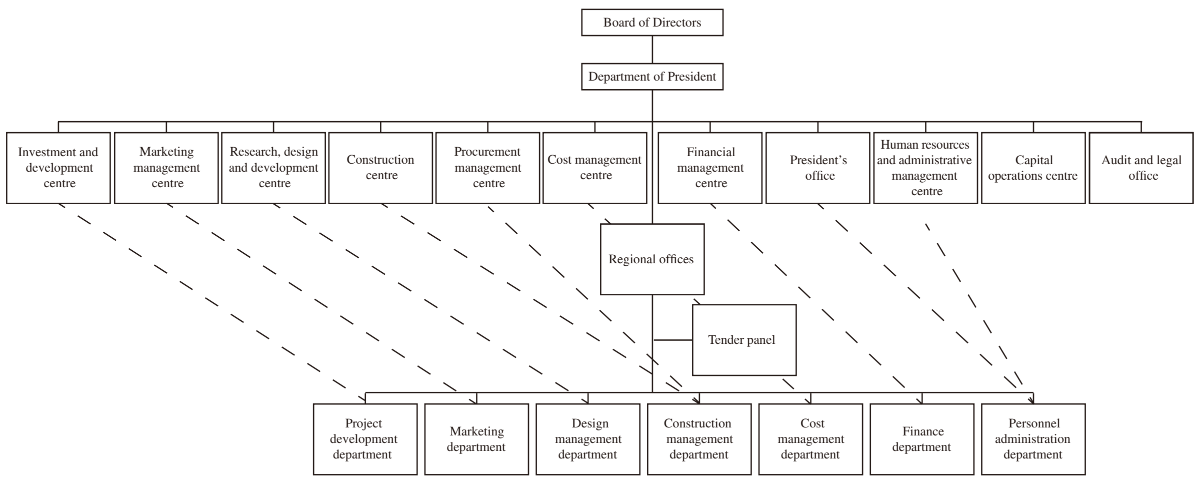
We focus on the development and sales of residential properties. In addition, we hold retail and office units and clubhouses as investment properties for capital appreciation and rental use as an ancillary business. As of December 31, 2016, our total leasable GFA held for investment was 460,553.7 sq.m. In 2015 and 2016, our rental income was RMB71.7 million and RMB83.9 million (US$12.1 million), respectively, accounting for 0.5% and 0.4%, respectively, of our revenue in each of these periods. As of December 31, 2016, out of our completed investment properties, we had commenced leasing Landscape Residence, Logan Century Centre, Provence (Phase 2), Provence (Phase 5), Flying Dragon Garden and Sunshine Seaward.

In leasing our retail units, we seek to maintain a balance in the composition of our tenants. Our retail leases are generally for terms of three to 15 years with annual rent reviews at fixed percentage increases or as otherwise agreed in the lease agreement. Typically, we require security deposits from our tenants of two months' rent. The rents for our retail units are generally determined according to prevailing market rates. We have appointed Guangdong Logan Group Property Management Co., Ltd. (廣東龍光集團物業管理有限公司) as the initial property manager for our property projects as of December 31, 2016. In addition to rent, our tenants are generally charged a monthly property management fee, which is payable to the property manager.

OUR PROPERTY DEVELOPMENT PROCESS

Property Development Management and Structure

We use a decentralised operations management structure between our headquarters and regional offices, wherein each regional office is responsible for the day-to-day operations of all projects within its respective region, while our corporate headquarters is responsible for overall planning, standardisation and the approval of major decisions, as well as monitoring and supporting each regional office's operations. The chart below shows our general property development management structure:



This property development management structure helps us ensure the efficiency and unity of our strategic decisions, while allowing our regional offices the flexibility to respond to the local environment. In general, our headquarters is responsible for:

- formulating corporate strategy and operations and management goals;
- supervising our operations and information management platform;

- project investment decision making;
- setting human resources policies;
- standardisation of design and management processes;
- centralised selection and evaluation of suppliers;
- cost management;
- developing and unifying financial systems;
- risk management and internal audit; and
- brand management and maintenance of customer, investor and government relations.

Our regional offices are responsible for:

- implementing corporate headquarters strategy in the relevant project city;
- conducting project exploration and market research;
- obtaining the relevant government permits;
- formulating and implementing operations and management goals;
- managing the project development process; and
- sales and marketing.

Our headquarters exercises particularly careful control over the key business segments that have a significant impact on our results of operations, including strategic and operational goals, land acquisition, project market positioning, planning and design, target cost management, marketing strategy, general contractor selection, planning and design of ancillary facilities and completion inspection. We coordinate and supervise the operations of each project as a whole through our operations planning department as well as specialised departments for the key project development functions, enhancing our operational management efficiency.

In addition, to ensure our financial independence and increase the efficiency of our use of capital, we have implemented a vertical management structure for the finance departments of our regional offices, and we station staff from our dedicated audit and legal department at each regional office to handle risk management and monitoring of the internal audit process. We believe these initiatives facilitate our project operations management and internal controls.

Our regional offices are responsible for the day-to-day aspects of our project development business. Our regional offices generally establish a project development department, a design management department, a construction management department, a sales department, a cost management department, a finance department and a personnel administration department. These departments report to the corresponding central departments, which support them in their operations.

Project Development Process

We have established a mature project development model and process. In general, our project development process follows the core elements set out below, which may be adjusted for each project in accordance with the local environment and laws and regulations:

	Project selection and land acquisition	Planning and design	Pre-construction	Construction	Marketing	Delivery and after-sales services
Process explanation	1. Analyse target market (economic and regulatory environment, demographics, market capacity and customer demand). 2. Perform feasibility study (including cost estimates, investment analysis and risk assessment), and complete in-depth schematic design and cost estimates. 3. Approval by ad-hoc investment committee. 4. Acquire land through the government land grant process or a third party and obtain land use rights certificate.	1. Determine project market positioning (including product and customer positions, preliminary planning and valuation). 2. Conduct further in-depth conceptual design and design optimization. 3. Formulate planning and design proposal and allocate design tasks. 4. Use a custom design control platform to manage and monitor design progress and quality.	1. Obtain relevant permits (including construction land planning permit, construction works planning permit, construction commencement permit). 2. Appoint Logan Construction or another general contractor through tendering.	1. Conduct construction management in accordance with standardisation and control processes and workmanship standards. 2. Monitor development process in real time through project management information platform. 3. Regularly inspect and evaluate construction progress.	1. Independently develop and implement marketing strategies and conduct promotional activities. 2. Complete project pricing analysis and set prices. 3. Obtain pre-sale permit and begin the sales process. 4. Assist customers with registration and obtaining mortgage loans.	1. Obtain property ownership certificate and deliver units. 2. Gather and process customer feedback, and collect post-delivery project evaluation for continuous improvement. 3. Manage Logan Club and organise customer events.
Responsible department	Headquarters: investment and development centre, research, design and development centre, marketing management centre and cost management centre Regional office: project development department	Headquarters: marketing management centre, research, design and development centre Regional office: project construction management department and design department	Headquarters: construction centre and procurement management centre Regional office: Project development department and construction management department	Headquarters: construction centre and procurement management centre Regional office: construction management department and construction department	Headquarters: marketing management centre and brand management department Regional office: marketing department	Headquarters: marketing management centre Regional office: marketing department

	Project selection and land acquisition	Planning and design	Pre-construction	Construction	Marketing	Delivery and after-sales services
Whole-process cost	Prepare target cost estimates (feasibility study version)	Prepare target cost estimates (planning version)	Prepare target cost estimates (construction version)	Implement contract planning and cost indicator controls	Conduct project profit estimation and cost control	

Project Selection

Project selection is the most important and basic step of our project development and operations management processes. We acquired certain land parcels at competitive prices, such as those for Logan City, when the infrastructure and common facilities such as roads, schools or commercial districts had not yet been fully developed in their vicinity.

Before developing a new project, we conduct in-depth research and analysis on the relevant market to identify regional development trends by analysing market information obtained through a variety of channels, including land supply information obtained through the government land grant process. Our various specialised departments conduct in-depth feasibility analyses of potential projects, providing full support for our investment decision-making process. We also monitor and assess companies with land or projects under development for suitable acquisition or partnership opportunities. Prior to acquiring land, we generally follow these steps in selecting or developing a new project:

- the regional office determines regional investment planning and goals in accordance with our corporate strategy;

- the regional office's project development department gathers and analyses information and completes a market analysis report in accordance with regional investment planning;

- the regional office's general manager conducts initial review, screening and selection of project proposals;

- submit an initial proposal to our investment and development centre, which cooperates closely with our design and marketing teams in evaluation and assessment and performing a feasibility study (including detailed market analysis, development plans and investment budgeting) which, after completing an in-depth conceptual product design, is submitted to our cost management centre for target cost and profit estimation; and

- submit a feasibility study and profit estimation to our ad-hoc investment committee for approval.

Land Acquisition

We primarily acquire land for our projects through participation in the government public tender, auction and listing-for-sale land grant processes. In addition, we also acquire land from non-governmental land interest holders pursuant to land transfer agreements and through acquiring companies holding land interests. All of our property development projects as of December 31, 2016 were acquired through the government public tender, auction or listing-for-sale land grant process except for Sunshine Castle, Flying Dragon Garden, Seaward Sunshine, certain parcels of Grasse Vieille Ville, Easy Life, Zhongshan Grand Garden, Zhongshan Grand Joy Garden and Foshan Grand Riverside Bay, which we acquired through transfers from non-governmental land interest holders, and Seaside Dragon Bay, which we acquired through the acquisition of a company holding the land interest. In accordance with the Regulation on Bidding, Auction and Listing-for-Sale for the Granting of State-owned Construction Land (《招標拍賣掛牌出讓國有建設用地使用權規定》), effective from November 1, 2007, all land planned for development (such as residential property, tourism, entertainment, commercial and industrial property) must be granted through public tender, auctions or listing-for-sale. Grantees of land use rights may dispose of their land use rights through private sales, subject to the terms and conditions of the original land grant contracts and the relevant PRC laws and regulations. We carry out our projects in accordance with the provisions of the relevant PRC laws and regulations.

Our land grant contracts may contain certain conditions or undertakings, which are made known to participants in the land grant processes. For example, as a condition to develop Fragrant Valley, we agreed with the relevant local government to develop Landscape Residence on a one-off basis, which was completed in October 2010 and is a limited-price housing project. Similarly, in order to acquire land for Huizhou Sky Palace, we agreed with the relevant local government contract to develop Golden Bay Garden on a one-off basis, which was completed in December 2010 and is an affordable housing project. As of the date of this information memorandum, Landscape Residence is our only limited-price housing project, and Golden Bay Garden was our only affordable housing project. Such limited-price and affordable housing projects are conditions to acquiring and developing our property projects, and we do not plan to engage in the development of affordable or limited-price housing independent of such acquisitions.

In 2015 and 2016, we acquired 2.4 million sq.m. and 2.0 million sq.m. of GFA, respectively, and our land premium amounted to RMB16,690.1 million and RMB19,052.6 million (US$2,744.1 million), respectively, leading to average land cost of RMB6,988 per sq.m. and RMB13,393 (US$1,929.0) per sq.m., respectively. Our land premium may continue to rise in the future, and in such event our gross profit margin may be materially and adversely affected.

As of December 31, 2016, we had a land bank with an aggregate GFA of 14.9 million sq.m., which, based on current development and growth targets and our historical sales and land development records, we estimate will be sufficient for our development needs for the next five to six years.

In 2015 and 2016, we did not acquire any land requiring us to resettle the original occupants.

Planning and Design

To ensure product quality and enhance project value, we have a dedicated product research, design and development centre, responsible for organising project market positioning, planning and design and controlling the implementation thereof, as well as developing and implementing our product standardisation system and product innovation. In addition, we also have an in-house design institute responsible for the various design plans of our projects and controlling the implementation thereof, enabling us to achieve synergies with our other capabilities and ensure that each project design meets our standards for quality and efficiency.

Before conducting project planning and design, we collaboratively determine the project's market position generally through our product research, design and development centre and marketing management centre and the regional office's design department. During the project selection phase, our product research, design and development centre participates in the feasibility analysis process and completes an in-depth design plan taking into account the project's individual characteristics, to ensure that construction can begin quickly after successfully obtaining the land for the project. After the land is obtained, our product research, design and development centre works with our in-house design institute or an approved design consultant to further develop the design plan. Each regional office's design department determines the detailed design plan and cost estimation and oversees design implementation. We appoint a person responsible for coordinating the activities of our internal specialised design department and external design companies and closely monitoring every aspect of the design process, from planning to the completion of construction, to ensure the strict and efficient implementation of our design plans.

We also work with recognised domestic and international design consultants, according to the planning, market positioning and scale of the project. These partnerships have produced many of our award-winning project designs, such as our Provence project, which was recognised as a "Gold Medal International Cultural Community—Innovative Model Habitat" in 2007.

Pre-construction

We begin the pre-construction process by obtaining the necessary permits and certificates from the relevant government departments prior to the commencement of construction and following the grant of the development rights to a parcel of land. Details of the certificates and permits required to commence construction are set out below:

- construction land planning permit—a permit authorising a developer to begin the survey, planning and design of a property project;
- construction works planning permit—a permit evidencing government approval of the overall planning and design of a property project and allowing a developer to apply for a construction commencement permit; and
- construction commencement permit—a permit required for commencement of construction of a property project.

As of the date of this information memorandum, we have obtained the land use rights certificates for all of our projects, except in respect of Liudong New District Business Centre (柳東新區商務中心) and Dong Hai'an Xincheng Group E (東海岸新城E組團). In addition, for all of our projects under development, we had obtained all relevant certificates and permits prior to the commencement of construction as required under PRC laws and regulations.

Appointment of Logan Construction or Other General Contractor

As part of our fully integrated property development process, we have acted as the general contractor for a majority of our property development projects. Logan Construction, our construction subsidiary, possesses a National Housing Construction General Contracting Class 1 Qualification Certificate (國家房屋建築工程施工總承包一級資質認證), enabling it to continue to act as general contractor for our projects as we expand into additional high-growth cities elsewhere in China.

Key Terms of Our General Contractor Agreements

The agreements under which we are appointed as general contractor delineate our work scope. The project owner supplies us with the design blueprints and geological data, and we are generally responsible for a variety of construction tasks such as earthworks and installation of utilities and equipment. Unless agreed in the agreement or separately, we may not sub-contract our work.

The agreement stipulates a construction commencement date, construction period and expected completion date. Any construction delay may result in financial penalties on us. Generally on a monthly basis, we present to the project owner a construction progress report and a forecast on construction progress and expenditures for the upcoming month. The agreement also contains specific quality requirements, and we may be penalised if we fail to adhere to them.

We are generally paid monthly for a percentage of our work performed during such month. When the construction is completed, the project owner will make additional payments to bring the settled amount to a specified percentage of the total contract value. The remainder of the contract value is retained for up to two years, and is remitted to us in instalments, as security for the construction's quality. If any quality issue arises before final remittance, the project owner may deduct directly from the unpaid remainder as compensation. For more information, see the section entitled "—Construction Business" below.

Key Terms of Agreements with Our Contractors

In addition to using Logan Construction as general contractor for a majority of our projects, we also work with a variety of qualified independent contractors and subcontractors to provide services such as labour, general construction, equipment installation, engineering and decoration. We select our contractors based on their relevant experience and reputation, conduct regular evaluations of all our contractors and establish long-term strategic cooperative relationships with outstanding contractors.

In general, the contracts we sign with our contractors contain provisions for quality assurance and the timely completion of projects. We require our contractors comply with the laws and regulations of the PRC and our internal standards. Each level of our construction management closely monitors workmanship quality, construction progress and cost control. If construction quality does not meet our standards, we will refuse to accept such work as completed until we are satisfied that our standards have been met. We generally pay our contractors in accordance with the percentage of completion of the relevant project. Except for up to 5% of the contract price which we withhold for up to five years to better ensure construction quality, we pay our contractors the remaining balance when the construction quality certificate is issued by the relevant government department.

In 2015 and 2016, we paid approximately RMB5,732.4 million and RMB5,806.8 million (US$836.4 million) to our contractors, respectively.

Project Financing

We generally finance the development of our projects primarily through bank loans, internally generated cash flows (including proceeds from the pre-sales and sales of our projects) and funds raised from capital markets, such as our initial public offering in December 2013, the offering of the Existing Notes. According to the Guideline on the Risk Management of Property Loans of Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the China Banking Regulatory Commission (the "CBRC") on September 2, 2004, no loans may be granted to projects which have not obtained the relevant land use rights certificates, construction land planning permits, construction works planning permits and construction commencement permits. According to the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects of Certain Industries (《國務院關於調整固定資產投資項目資本金比例的通知》) (Guofa [2009] No.27) issued by the State Council on May 25, 2009, the minimum capital requirement for affordable housing and ordinary commodity apartments is 20%, and the minimum capital requirement for other real estate development projects is 30%.

We primarily use internal funds to acquire land for our projects, and a combination of internal funds and bank loans to fund the construction of our projects. In addition, we use proceeds from the pre-sales of our properties to fund part of the construction costs of the relevant projects and to settle the related bank loans, and we use funds raised from capital markets for acquiring land, refinancing our existing indebtedness and for other general corporate purposes. Proceeds from pre-sales of properties form the integral source of our operating cash inflows during project development. According to the laws of the PRC, we may pre-sell properties under construction after certain criteria are met, and proceeds from the pre-sales must be used for the construction of such properties. Our policy is to finance our property developments with internal resources to the extent practicable so as to reduce our level of external funding.

Bank loans are our primary source of external financing, and we have long-term relationships with many major banks in the PRC, including Industrial and Commercial Bank of China, Agricultural Bank of China and Bank of China. As of December 31, 2016, we had outstanding bank and other loans (excluding the Existing Notes and Corporate Bonds) of RMB15,078.0 million (US$2,171.7 million). Our ability to obtain financing for our projects also depends on various economic measures introduced by the central and local governments. In recent years, the PRC government has adopted macroeconomic and monetary policies aimed at stabilising the growth of the national economy, particularly including the regulation and control of the property market, which may influence our ability to obtain financing from commercial banks.

Construction

Construction Management and Quality Control

Our construction management team consists of over 300 professionals. In addition, our headquarters has an operations planning department, which uses hierarchical programme management and an information system to exercise real-time control over many aspects of the property development process, enhancing our control over product quality and construction progress.

We use a multi-level supervision model for our projects, the management of which is structured from bottom to top as follows: Logan Construction (or an outside general contractor, as applicable); an independent construction supervision consultant; the project company's construction management department; the regional office's construction management department; and our headquarters' construction management department. The general contractor carries out construction in accordance with the laws and regulations of the PRC and our strict workmanship standards. Each step of the construction process is subject to inspection, and a completion inspection is conducted by all the parties mentioned above. The project company's construction management department is responsible for supervision of and coordination with the general contractor and independent construction supervision consultant, as well as for the direct inspection of key work processes. The regional office's construction management department is responsible for providing supervision and technical support. Our headquarters' construction management department is responsible for improving management systems, conducting technical training, auditing and monitoring construction plans and conducting monthly project assessments during the development process. We have built in an incentive system for the general contractor as part of the monthly project assessments conducted by our headquarters' construction management department in order to align interests during the construction process.

We have a complete construction management system and strict workmanship standards that we implement throughout the construction process. We have developed a comprehensive construction management manual, covering construction quality, progress, costs, safety and materials and equipment supply, among other things, and we strictly require our construction contractors to comply with such standards and procedures, as well as the relevant laws and regulations, in carrying out construction.

The regional office's project management department conducts on-site monitoring and regularly produces an assessment report, and promptly follows up on and implements solutions for any problems discovered. We also appoint an independent third-party construction supervision consultant to assist in controlling construction progress, quality and safety, among other things.

In addition to our close monitoring of construction progress and workmanship quality, we also place strong emphasis on worksite safety and environmental awareness. In 2009, our Logan Century Centre project was recognised as a "2008 Guangdong Model Construction Site for Construction and Engineering Safety" by the Construction Industry Safety Association of Guangdong Province, and in 2004, our Sunshine Coast project was recognised as a "Green Ecologically Friendly Residence" by the Planning Department of the Ministry of Housing and Urban-Rural Development and the China Real Estate and Housing Research Association.

Supplier Tendering and Procurement

We procure substantially all of the supplies needed for our projects through our own in-house procurement department. We generally conduct supplier tendering and procurement using our database of suppliers with whom we have established cooperative relationships. Our headquarters' procurement department generally places special emphasis on strategic purchasing for elevators, diesel generators and other large equipment for our projects, and also conducts large-scale, centralised procurement for supplies commonly used between multiple projects. The regional office's procurement department is responsible for determining with the supplier the contract price, payment terms and delivery arrangements, among other things. We believe that centralised procurement allows us to benefit from economies of scale and increased bargaining power with suppliers, thereby reducing costs and bringing greater value to our customers.

We have a comprehensive procurement system composed of our procurement department, cost management department, and related specialised technical departments such as design and engineering. These departments cooperate in assessing and selecting our suppliers. After the completion of the assessments, we select the supplier that best meets our requirements, in accordance with the requirements set forth in the relevant tender documents. We strive to ensure all of the materials that we use comply with relevant standards of quality and contractual requirements before accepting them or making payments for delivery. Materials that do not meet our quality standards are not used in our projects and are returned to suppliers. We evaluate and grade the quality of our supplies on a monthly basis.

Marketing

We have a specialised marketing management team. Our headquarters' marketing management centre is responsible for formulating our marketing and sales strategies, conducting market research, managing the overall sales process, managing customer relations and providing sales guidance to sales agents. Each of our regional offices also has a marketing department to formulate sales prices for the properties in their respective regions and marketing and sales promotion strategies and related cost estimates for implementation after approval by our headquarters. We believe that our dedicated marketing management team assists us in attaining our marketing goals and strategies, while maintaining flexibility in the sales strategy for each project.

Our marketing department is involved in project development from an early stage to ensure the successful execution of our marketing strategy. After we acquire the land for a new project, our marketing management centre, together with the relevant regional office, conducts customer, marketing and positioning research with regard to the land, and prepares a detailed project market positioning report. During the planning and design process, the marketing department provides opinions for consideration. The marketing department is also generally responsible for driving customer demand and sales for the project by planning, designing and operating an on-site project exhibition centre to demonstrate our products to our customers, as well as planning and implementing a comprehensive project marketing and promotional programme through various media outlets. In addition, we have an incentive programme to reward employees who successfully refer customers to purchase our products. Our marketing and promotional activities contributed to our selling and marketing expenses, which amounted to RMB573.1 million and RMB714.2 million (US$102.9 million) in 2015 and 2016, respectively.

As part of our fully integrated property development process, we generally manage the sales of our property projects through our in-house sales team. In addition, we sell a portion of our property projects through real estate sales agents, selected after careful consideration of the agents' understanding of our projects and relevant regional markets, marketing strategies and their market share. We enter into sales agency agreements with sales agents that meet our criteria, pursuant to which the agents are paid commissions of a certain percentage of their total sales, in accordance with market practise.

Pre-sales and Sales

The sales process for our property projects generally begins with pre-sales. There are various PRC laws and regulations governing the pre-sales of properties that impose conditions to be fulfiled before the required pre-sale permit will be issued and the pre-sales of a property can commence. These include obtaining the relevant land use rights certificate, the construction works planning permit and the construction commencement permit.

Our pre-sales and sales contracts are based on standard form contracts regulated by the relevant land and commercial bureau, and vary from city to city. We did not experience any material cancellation of sales contracts in 2015 and 2016.

Customer Payment Arrangements and Financing

Our customers can generally purchase our properties through lump sum payments or through mortgage loans. Where a customer chooses to pay by lump sum payment, the customer will be required to fully settle the purchase price shortly after the date of the execution of the contract. Where a customer elects to pay by mortgage payment, such customer is required to pay a portion of the purchase price in a cash payment, which is normally 30% to 60% of the total purchase price, and the remaining amount is settled through proceeds from the relevant mortgage. In line with market practise, we have arrangements with various banks for the provision of mortgage facilities to our customers and we provide guarantees for the mortgages until construction has been completed and the relevant property ownership certificates or mortgage registration documents are submitted to the relevant bank. In line with market practise, we rely on credit cheques conducted by the relevant bank and do not conduct independent credit cheques on our customers. As of December 31, 2016, our outstanding guarantees in respect of our customers' mortgage loans were RMB9,806.2 million (US$1,412.4 million).

Delivery of Properties

We are committed to the timely delivery of units to our customers in accordance with our sales contracts and PRC laws and regulations. We are only permitted to deliver completed property units after they pass on-site inspections by, and receive completion certificates from, the local urban construction bureaus or equivalent authorities. Before delivering units to our customers, our project companies coordinate the completion inspection of units to be delivered with the construction, marketing and customer relations departments and the relevant property management company, and make any necessary improvements to ensure that customers are satisfied with the units we deliver. Our customer relations department, which is a department under our marketing management centre, works to obtain and follow up on customer feedback at the time of delivery to increase customer satisfaction and for the continual improvement of our products and services. We had appointed Guangdong Logan Group Property Management Co., Ltd. (廣東龍光集團物業管理有限公司) to initially manage our property projects as of December 31, 2016.

In general, we assist our customers in applying for property ownership certificates. We may be subject to risks involved in obtaining property ownership certificates. As of December 31, 2016, we had not experienced any material delay in the issuance and delivery of property ownership certificates, any material delay in property delivery under the sales contracts, or any return of delivered properties.

Customer Relations Management

We have a dedicated customer relations management department, which is a department under our marketing management centre primarily responsible for promoting our customer-oriented corporate culture and strategy. Our customer relations management department also brings a customer- oriented perspective to our various project development activities, by auditing and improving design drawings, evaluating the reasonableness of costs, and strictly inspecting product quality prior to delivery to our customers. Our customer relations management department is also responsible for the delivery of properties, assisting customers in obtaining property ownership certificates, following up on any product warranty issues, handling customer complaints and sponsoring cultural events for customers. At the same time, our customer relations management department gathers views for product improvement from customer feedback and internal evaluations to improve our product design standards and adjust the requirements of our cost management and construction management departments, to optimise the customer experience and reduce customer risk.

From time to time, we receive customer complaints concerning minor defects on their purchased property units, which often occur in the initial months after delivery, and we believe such complaints are common in our industry. We strive to rectify the minor defects to our customers' satisfaction in accordance with the relevant residential property quality warranties. Moreover, to ensure efficient provision of maintenance services, we have established detailed internal guidelines on repair and maintenance specifications and processes in relation to property units and public facilities within the warranty period. We also have received complaints concerning our marketing, pre-sales and sales practise, which predominantly relate to perceived deficiencies in our staff's etiquette and manners. We strive to continuously improve our staff's professionalism, and have made detailed internal policies on the proper etiquette to interact with our customers. After receiving complaints, our customer relations management department follows our established complaint response policies to (i) record the complaints, (ii) investigate the factual background of the complaints, (iii) coordinate with the responsible departments, such as the marketing department, construction management department, design management department and the project development department, to devise appropriate solutions, and (iv) follow up on subsequent customer feedback after the solutions have been implemented. We strive to address our customers' complaints, and as of December 31, 2016, we had not received material complaints regarding our properties' quality or our marketing, pre-sales and sales practise.

We offer our customers a variety of channels for communication, including email and a telephone hotline, so that our customer relations department is able to follow up on customer comments and complaints related to our products and services. We also regularly conduct customer satisfaction surveys on the quality of our products and services to assist in improving the market positioning, design, marketing strategy and service quality of our projects. Purchasers of our properties can also join our customer membership programme, Logan Club (龍光會). We place great emphasis on customer service as we believe it enhances property value for our customers and improves our brand and reputation.

STANDARDISATION

We use standardised product designs and management processes, wherein the work of our project design, construction, decoration, engineering and procurement departments and project subsidiaries can be replicated efficiently across our projects. These standardised product designs and management processes form the key element of our quick development operation model, through which we seek to efficiently complete the development of our property projects. We believe our standardised product designs and management processes have been essential in allowing us to ensure product and service quality, control costs, shorten development cycles, improve cash flow and maintain profitability.

Design

Central to our standardisation process is a standardised product line, illustrated by our portfolio of residential property projects which includes high-rise residential apartments and low-rise garden apartments. Our distinctive product series are generally classified into two styles, neoclassical and art deco, each comprising standardised designs for facades, interior designs and landscaping, as well as standardised parts and materials.

For the clubhouses, marketing centres and retail units in many of our projects, we implement our neoclassical or art deco designs according to the grade and scale of each project. We regularly inspect and assess our projects and make continuous improvements to our project design and standardisation based on real use case results to ensure our project designs can be replicated efficiently across projects while maintaining high quality and reliability.

Procurement

Our product design departments generally cooperate with our procurement department on consolidated purchase orders of parts and materials to be used across our projects, enabling us to enter into larger and longer-term supply contracts to achieve economies of scale and consistent product quality. We selectively enter into strategic, long-term supplier relationships in accordance with the actual needs of our projects.

We generally select suppliers for our projects through a standardised bidding and competitive negotiation process, which is completed in close coordinate between our headquarters and the management of each regional office. Our headquarters is responsible for managing our supplier relationships, to ensure fairness, consistency and efficiency in entering into supplier relationships across our regional companies.

Construction

We use a standardised operations management structure and management system across our regional offices, and our regional offices follow standardised guidelines developed by our headquarters, to help ensure we are able to efficiently meet our product quality, pre-sales and sales goals.

Cost Management

We employ standardised cost management processes across our projects and throughout the property development process through our cost management centre, which prepares and reviews budgets and tracks project progress through a comprehensive cost management system to provide timely estimates of costs and profits and to align actual and target development costs.

We conduct cost management from the preliminary design stages in order to achieve dynamic cost control over the entire property development process and prepare timely profit estimates. We develop target costs for each major stage of the property development process, comprising a feasibility study version, a planning version and a construction version, and track progress to align actual and target development costs. We begin cost management during project selection and land acquisition stage, and compare the planned cost estimates with our library of historical data and provide design feedback to achieve cost-efficient design. Throughout the property development process, our cost management centre reviews expenditures and proposed agreements with suppliers and contractors and proposes changes to achieve dynamic cost control over our projects.

CONSTRUCTION BUSINESS

Logan Construction, our subsidiary, possesses a National Housing Construction General Contracting Class 1 Qualification Certificate (國家房屋建築工程施工總承包一級資質認證), which enables it to provide general contracting services for housing projects in cities throughout the PRC. Logan Construction was established in 2005 primarily to service the projects of our predecessors.

In its role as general contractor for such construction projects, Logan Construction is generally responsible for the day-to-day oversight of the projects, including appointing and managing subcontractors to provide services such as labour, general construction, equipment installation, engineering and decoration, as applicable, and coordinating with the project owner and other relevant parties. As a general contractor, Logan Construction outsources basic construction works, and relies on the construction workers of its subcontractors to carry out such work. For such projects, Logan Construction is also responsible for quality and safety control during the course of construction and Logan Construction maintains accident insurance for workers of Logan Construction as required by PRC laws and regulations. For further details, please see the section entitled "—Insurance" below. For information on our general contractor agreements and our agreements with our subcontractors, please see the section entitled "—Our Property Development Process—Project Development Process—Appointment of Logan Construction or Other General Contractor" below.

During 2015 and 2016, Logan Construction primarily provided construction services to our own projects, and the revenue derived from providing such services amounted to 96.7% and 94.3% of Logan Construction's total revenue, respectively. During 2015 and 2016, Logan Construction also provided construction services to related companies. Revenue derived from such services amounted to 3.3% and 5.7% of Logan Construction's total revenue in 2015 and 2016, respectively. Logan Construction has adopted a uniform pricing policy for related companies and independent third-party customers and strives to keep its pricing competitive and in line with market price. In 2015 and 2016, Logan Construction recorded construction income of RMB120.6 million and RMB212.1 million (US$30.5 million), respectively, from construction services provided to external parties, of which 100.0% and 100.0% consisted of construction income from related companies, respectively. Logan Construction acted as general contractor for various of our predecessors' businesses.

In 2015 and 2016, some of our largest customers were companies controlled by Mr. Kei or his associates. In 2015 and 2016, customers of our construction business accounted for three and two of our five largest customers, respectively. For further details, please see the section entitled "—Suppliers and Customers" below. In 2015 and 2016, Logan Construction provided construction services to our related companies on normal commercial terms and on an arm's-length basis. Going forward, Logan Construction will prioritise our projects, and may accept new appointments from our related companies to act as general contractor for their property projects.

PROPERTIES USED BY US

Our corporate headquarters is located in Logan Century Centre at Room 2002, Tower B, Logan Century Centre, south side Xinghua Lu, Bao'an District, Shenzhen, PRC. In addition, we occupy a number of premises through lease arrangements.

SUPPLIERS AND CUSTOMERS

Our major suppliers are construction material suppliers, equipment suppliers and construction contractors. In 2015 and 2016, our five largest suppliers accounted for approximately 9.9% and 15.9% of our total purchases excluding land costs, respectively, and our largest supplier accounted for approximately 2.3% and 4.4% of our total purchases excluding land costs, respectively.

Our major customers are purchasers of residential and commercial properties and customers of our construction business. In 2015 and 2016, our five largest customers accounted for approximately 1.3% and 1.3% of our revenue, respectively, and our largest customer accounted for approximately 0.8% and 0.8% of our revenue, respectively. In the same periods, companies controlled by Mr. Kei or his associates accounted for three and one, respectively, of our five largest customers. The companies controlled by Mr. Kei or his associates were all customers of our construction business for non-residential projects, such as the construction of public facilities.

COMPETITION

The property market in China is highly fragmented. Our major competitors include large national and regional property developers and overseas developers, including a number of leading Hong Kong property developers, some of which may have better track records and greater financial, land and other resources, broader name recognition and greater economies of scale than us. We compete with them in relation to a number of factors, including the acquisition of land, brand recognition, financial resources, price, product quality, service quality and other factors.

HONOURS, AWARDS AND CERTIFICATES

We, together with our predecessors, have received awards from various organisations in the PRC in recognition of, among other things, our brand, environmental and safety standards, financial results and overall reputation in the property development industry in southern China and the PRC. The table below sets forth some of the awards to us and our projects:

Year	Recipient/Project	Honours/Award	Awarding body
2011–2017	Our Group	Top 100 Chinese Real Estate Developers (中國房地產百強企業)	Enterprise Institute of the Development Research Centre of the State Council of China; Institute of Real Estate Studies of Tsinghua University; and China Index Academy (國務院發展研究中心企業研究所、清華大學房地產研究所和中國指數研究院)
2017	Our Group	Ranked as the 29th-largest property developer in the PRC by comprehensive strength (中國房地產企業綜合實力排名29位)	Enterprise Research Institute of Development Centre of the State Council of PRC (國務院發展研究中心企業研究所); Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所); and China Index Academy (中國指數研究所)
2017	Our Group	Top 100 Chinese Real Estate Developers – Top 10 in Profitability (中國房地產百強企業盈利性Top 10)	Enterprise Research Institute of Development Centre of the State Council of PRC (國務院發展研究中心企業研究所); Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所); and China Index Academy (中國指數研究所)
2016	Our Group	2016 Best 50 of China Real Estate Developers Brand Value (2016中國房地產開發企業品牌價值50強)	China Real Estate Association; China Real Estate Appraisal (中國房地產業協會；中國房地產測評中心)
2016	Our Group	2016 Top 100 Chinese Real Estate Developers – Top 10 in Profitability (2016中國房地產百強企業盈利性 Top 10)	Enterprise Research Institute of Development Centre of the State Council of PRC (國務院發展研究中心企業研究所); Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所); and China Index Academy (中國指數研究所)

Year	Recipient/Project	Honours/Award	Awarding body
2016	Our Group	Ranked as the 32nd-largest property developer in the PRC by comprehensive strength (中國房地產企業綜合實力排名32位)	Enterprise Research Institute of Development Centre of the State Council of PRC (國務院發展研究中心企業研究所); Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所); and China Index Academy (中國指數研究所)
2016	Our Group	2016 Forbes Top 50 Asia's Best Big Public Companies (《福布斯》2016年亞太區最佳上市公司50強)	Forbes (《福布斯》)
2015	Our Group	2015 Top 10 Best Investment Value China Mainland Real Estate Company Listed in Hong Kong (2015中國大陸在港上市房地產公司投資價值Top 10)	Enterprise Research Institute of Development Centre of the State Council of PRC (國務院發展研究中心企業研究所); Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所); and China Index Academy (中國指數研究所)
2015	Our Group	2015 Top 100 Chinese Real Estate Developers—Top 10 in Profitability (2015中國房地產百強企業盈利性Top 10)	Enterprise Research Institute of Development Centre of the State Council of PRC (國務院發展研究中心企業研究所); Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所); and China Index Academy (中國指數研究所)
2015	Our Group	2015 Best Investment Value Chinese Real Estate Developer (2015中國最具投資價值地產企業)	Committee of Boao Real Estate Forum (博鰲房地產論壇組委會)
2014	Our Group	Ranked as the 40th-largest property developer in the PRC by comprehensive strength (中國房地產企業綜合實力排名40位)	Enterprise Institute of the Development Research Centre of the State Council of China; Institute of Real Estate Studies of Tsinghua University; and China Index Academy (國務院發展研究中心企業研究所、清華大學房地產研究所、中國指數研究院)
2014	Our Group	Top 100 Chinese Real Estate Developers—Top 10 in Profitability (中國房地產百強企業—盈利性TOP10)	Enterprise Institute of the Development Research Centre of the State Council of China; Institute of Real Estate Studies of Tsinghua University; and China Index Academy (國務院發展研究中心企業研究所、清華大學房地產研究所、中國指數研究院)
2014	Our Group	Top 50 Chinese Real Estate Developers (中國房地產開發企業50強)	China Real Estate Research Association; China Real Estate Association; China Real Estate Appraisal (中國房地產研究會、中國房地產業協會、中國房地產測評中心)
2014	Our Group	Top 20 Credible Property Developers of Guangdong (廣東地產資信20強) for 12 years from 2003 to 2014	Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China and Chinese Media (中國銀行、中國建設銀行、中國工商銀行、中國農業銀行聯合中央媒體)
2014	Our Group	2013 China Real Estate Leadership Summit—Best Investment Value Listed Property Developer (2013中國地產領袖峰會—最具投資價值上市房企)	Shenzhen News and China Real Estate Chamber of Commerce (深圳商報社、全國工商聯房地產商會)
2014	Our Group	2013 Top Property Developer in Huizhou by sales	SouFun (搜房)

Year	Recipient/Project	Honours/Award	Awarding body
2014	Seaward Sunshine	2013 Top Property Project by sales volume	Shantou Property Management Authority (汕頭市房產管理局)
2013	Our Group	2012 China Real Estate Industry Honourable Brand Enterprise (2012中國房地產行業誠信品牌企業)	China Real Estate Industry Association and China Real Estate Investment Research Association (中國房地產產業協會、中國房地產投資研究會)
2013	Our Group	Top 100 Chinese Real Estate Developers—Top 10 in Profitability (中國房地產百強企業—盈利性TOP10)	Enterprise Institute of the Development Research Centre of the State Council of China; Institute of Real Estate Studies of Tsinghua University; and China Index Academy (國務院發展研究中心企業研究所、清華大學房地產研究所和中國指數研究院)
2013	Logan City	2012 China Urban Area Most Valuable Property (2012中國城市區域最具價值樓盤)	China Real Estate Industry Association and China Real Estate Investment Research Association (中國房地產產業協會、中國房地產投資研究會)
2013	Seaward Sunshine	2012 China Real Estate International Noble Community (2012中國房地產國際化高尚社區)	China Real Estate Industry Association and China Real Estate Investment Research Association (中國房地產產業協會、中國房地產投資研究會)
2003–2013	Guangdong Logan (Group) Co., Ltd.	Guangdong Top 20 Creditworthy Real Estate Developers (廣東地產資信20強)	Guangdong Branches of Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, and China Central Media (工、農、中、建四大國有銀行廣東省分行與中央媒體)
2012	Logan Real Estate	Top 100 Chinese Real Estate Developers (中國房地產開發企業100強)	China Real Estate Research Association; China Real Estate Association; China Real Estate Appraisal (中國房地產研究會、中國房地產協會、中國房地產測評中心)
2012	Logan Real Estate	Top 100 Chinese Real Estate Developers—Top 10 in Profitability (中國房地產百強企業—盈利性TOP10)	Enterprise Institute of the Development Research Centre of the State Council of China; Institute of Real Estate Studies of Tsinghua University; and China Index Academy (國務院發展研究中心企業研究所、清華大學房地產研究所和中國指數研究院)
2012	Our Group	Ranked as the 46th-largest property developer in the PRC by sales	China Index Academy (中國指數研究院)
2012	Logan Real Estate	Top 100 Chinese Real Estate Developers—Top 10 in Growth (中國房地產開發企業成長速度10強)	China Real Estate Research Association; China Real Estate Association; China Real Estate Appraisal (中國房地產研究會、中國房地產協會、中國房地產測評中心)
2012	Logan City	2012 Best Livable Property in Shenzhen, Dongguan and Huizhou (2012年深莞惠最佳宜居樓盤)	szhome.com and zhujia.com (深圳房地產信息網、築家)
2011	Logan Real Estate	Top 100 Chinese Real Estate Developers—Top 10 Financing Capabilities (中國房地產百強企業—融資能力TOP10)	China Real Estate Top 10 Research Group (中國房地產Top10研究組)

Year	Recipient/Project	Honours/Award	Awarding body
2011	Logan Real Estate	Top 10 Real Estate Brands in Southern China (中國華南房地產公司品牌價值TOP10)	China Real Estate Top 10 Research Group (中國房地產Top10研究組)

EMPLOYEES

We had 2,350 full-time employees as of December 31, 2016, respectively. The table below sets forth a breakdown of our employees by function, as of and December 31, 2016:

Function	Number of employees
Marketing	664
Investment and operations	45
Research, development and design	164
Cost management	139
Engineering and procurement	391
Audit and supervision	17
Integrated management	930
Total	2,350

Note:

(1) As Logan Construction only acts as general contractor, we outsource basic construction works, and rely on the construction workers of our subcontractors to carry out such work.

In 2015 and 2016, we recorded staff costs of RMB552.5 million and RMB678.1 million (US$97.7 million), respectively.

We enter into individual employment contracts with our employees covering matters such as wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations for commercial secrets, and grounds for termination. These employment contracts generally have a term of three years, after which we evaluate renewal based on a performance appraisal.

All of our full-time employees are paid a fixed salary and may be granted other allowances, based on their position. Our sales staff is also eligible for commissions. In addition, quarterly and year-end bonuses may also be awarded to our employees, at our discretion and based on employee performance. Quarterly and yearly performance appraisals are conducted to ensure that our employees receive feedback on their performance.

We continue to provide training for our staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards. We believe we have maintained good working relationships with our employees. Our employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements. As of December 31, 2016, no significant labour disputes occurred which adversely affected or were likely to have an adverse effect on our business.

INSURANCE

We carry employer's liability insurance for medical and related expenses that our employees may incur as a result of personal injuries at their workplaces or on the construction sites of our property developments. However, property developers are not required under national or local laws or regulations to maintain insurance coverage in respect of their property development operations. We do not maintain insurance coverage on our properties developed for sales other than with respect to those developments over which our lending banks have security interests, or for which we are required to maintain insurance coverage under the relevant loan agreements. We also do not require the construction companies we engage to maintain insurance coverage on properties under construction. As we construct most of our property projects through our subsidiary, Logan Construction, we are responsible for quality and safety control during the course of construction and we maintain accident insurance for workers of Logan

Construction as required by PRC laws and regulations. Independent construction companies hired during our construction projects are required to maintain their own accident insurance pursuant to PRC laws and regulations, and we also carry construction group accidental injury insurance, which generally covers injuries occurring within the construction areas of our projects.

To help ensure construction quality and safety, we have a set of standards and specifications that we require both our own workers as well as workers employed by independent construction companies to follow during the construction process. In addition, we engage qualified supervision companies to oversee the construction process. We did not experience any material destruction of or damage to our property developments, and there were no material personal injury-related claims brought against us in 2015 and 2016.

ENVIRONMENTAL MATTERS

We are subject to certain laws and regulations concerning the protection of the environment. The particular environmental laws and regulations that apply to any given property development project vary according to its location, the environmental factors associated with such development, construction or operations and the current and future usage of the land and the properties.

SOCIAL, HEALTH AND SAFETY MATTERS

Property developers in the PRC are subject to various PRC laws and regulations with respect to labour, health, safety, insurance and accidents, including the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), Regulations on Work-related Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Trial Procedures for Childbirth Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), the Production Safety Law of the PRC (《中華人民共和國安全生產法》) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

In 2015 and 2016, we did not violate any applicable PRC social, health and safety regulations in any material respect. We have complied with the new PRC labour laws in all material respects in the past and will continue to do so and do not expect any non-compliance to affect our business operations in any material respect. We believe that by protecting the interests of our employees, we are able to enhance employee morale and improve our long-term retention rate of quality personnel.

In order to comply with the relevant laws and regulations, we participate in various defined retirement contribution plans organised by the PRC provincial and municipal governments for our employees. We pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, industrial injury insurance, maternity insurance and housing provident fund. Our human resources department personnel look after our social, health and safety issues. They generally have sound knowledge of administration on employment and related matters and are aware of the latest legal developments in this area and our compliance with the relevant requirements.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property forms an integral basis for our strong brand recognition and is important to our business. As of 2016, intellectual property material to our business consisted of 112 trademarks registered in the PRC, 27 trademarks registered in Hong Kong.

As of December 31, 2016, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

LEGAL PROCEEDINGS AND COMPLIANCE

We are in compliance in all material respects with the applicable laws and regulations in all jurisdictions where we operate businesses. We have obtained all material approvals, permits, licences and certificates for our operations from the relevant government authorities, all of which are valid and current or to be renewed upon its expiry. We have not been subject to significant fines or legal action involving non-compliance with any laws or regulations relating to our business. So far as we are aware, there are no pending or threatened actions against us by any regulatory authority in the PRC.

From time to time we may be involved in legal proceedings or disputes in the ordinary course of business, including claims relating to our guarantees for the mortgage loans we provide to our customers and contract disputes with our customers and suppliers. We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. We had not experienced any material disputes with any parties or disagreements with regulatory bodies in 2015 and 2016.

Our board of directors is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board as of the date of this information memorandum:

Name	Age	Position & Responsibilities
Kei Hoi Pang (紀海鵬), elder brother of Ji Jiande	50	Chairman, chief executive officer and Executive Director, primarily responsible for the overall strategic planning of our business
Ji Jiande (紀建德), younger brother of Kei Hoi Pang	43	Executive Director and vice president, primarily responsible for managing the business of Shantou region as well as our construction and material procurement
Xiao Xu (肖旭)	45	Executive Director and assistant to president, primarily responsible for implementing our strategic development, investment analysis and external affairs
Lai Zhuobin (賴卓斌)	45	Executive Director and finance director, primarily responsible for our financial management and capital markets functions
Kei Perenna Hoi Ting (紀凱婷), daughter of Kei Hoi Pang	27	Non-executive Director
Zhang Huaqiao (張化橋)	54	Independent Non-executive Director
Liu Ka Ying, Rebecca (廖家瑩)	47	Independent Non-executive Director
Cai Suisheng (蔡穗聲)	66	Independent Non-executive Director

DIRECTORS

Executive Directors

Mr. Kei Hoi Pang (紀海鵬), (formerly known as Mr. Ji Haipeng), aged 50, was appointed as our Executive Director on November 18, 2013. Mr. Kei is our founder, chairman and chief executive officer. Mr. Kei was appointed as our chief executive officer in April 2011. He is primarily responsible for the overall strategic planning of our business. He is the elder brother of Mr. Ji Jiande, an Executive Director. In March 1996, Mr. Kei was appointed as an executive director and chief executive officer of Guangdong Logan (Group), one of our predecessors. Since May 2003 and October 2009, Mr. Kei has also served as a director and chief executive officer of Logan Real Estate and Shenzhen Logan Holdings, respectively. Mr. Kei has 20 years of experience in the property development industry and possessed experience in corporate strategic planning and management as well as project management.

Apart from the above, Mr. Kei had also held positions in various organisations and associations, including as the vice president of the second council of Shantou Real Estate Association (汕頭市房地產業協會第二屆理事會) and Guangdong Provincial Real Estate Association (廣東省房地產業協會). In 2005, Mr. Kei was recognised as the "Excellent Business Contributor of Socialism with Chinese Characteristics of Guangdong Province (廣東省優秀中國特色社會主義事業建設者)" which was presented by the Guangdong Provincial United Front Work Department of the Communist Party of China (中共廣東省委統戰部), the Provincial Development and Reform Commission (省發展和改革委員會), the Provincial Office of Personnel (省人事廳), the Provincial Administration for Industry and Commerce (省工商局) and the Provincial Federation of Industry and Commerce (省工商聯).

Mr. Ji Jiande (紀建德), aged 43, was appointed as our Executive Director on November 18, 2013. Mr. Ji Jiande is also our vice president, primarily responsible for managing the business of Shantou region. He is also in charge of our construction and material procurement. He is the younger brother of Mr. Kei Hoi Pang, our chairman and an Executive Director. Mr. Ji joined Logan Real Estate in 2006 and served as our general manager of various companies. Since October 2008 and December 2008, Mr. Ji also served as a director of Logan Construction and Logan Real Estate, respectively. In December 2009, Mr. Ji Jiande was appointed as a director of Shenzhen Logan Holdings, primarily responsible for our operational management, construction and material management.

Mr. Xiao Xu (肖旭), aged 45, was appointed as our Executive Director on November 18, 2013. He is also the assistant to our president. Mr. Xiao is mainly responsible for implementing our strategic development, investment analysis and external affairs. Mr. Xiao was employed by Logan Real Estate in 2007 and held various senior management positions in Logan Real Estate during the period from August 2007 to April 2011, prior to his appointment as the assistant to the president of Shenzhen Logan Holdings in April 2011. He has substantial experience in investment analysis, corporate management secretarial work and external liaison. Mr. Xiao obtained a bachelor's degree in business management from Jinan University (暨南大學) in June 1993 and obtained a postgraduate diploma in economics from the Party School of Chinese Communist Party of Guangdong Province (中共廣東省委黨校) in July 1998.

Mr. Lai Zhuobin (賴卓斌), aged 45, was appointed as our Executive Director on November 18, 2013. He is also our finance director. Mr. Lai is mainly responsible for our financial management and capital markets functions. Mr. Lai was employed by Logan Real Estate in 2007 and held various senior positions within the financial management division during the period from November 2007 to May 2011. In May 2011, Mr. Lai was appointed and has since served as the financial controller of Shenzhen Logan Holdings. He is a member of the Chinese Institute of Certificate Public Accountants. Mr. Lai obtained a bachelor's degree in science from Sun Yat-sen University (中山大學) in July 1993 and obtained a master's degree in engineering from Beijing Institute of Technology in July 2003.

Non-executive Director

Ms. Kei Perenna Hoi Ting (紀凱婷) (formerly known as Ms. Ji Peili (紀佩麗)), aged 27, was appointed as our Director on May 14, 2010 and was re-designated as a Non-executive Director on November 18, 2013. She is the daughter of Mr. Kei Hoi Pang, our chairman and an Executive Director. In August 2011, Ms. Kei obtained a bachelor's degree in economics and finance from the University of London.

Independent Non-executive Directors

Mr. Zhang Huaqiao (張化橋), aged 54, was appointed as our Independent Non-executive Director on November 18, 2013. Mr. Zhang is the chairman of the board of China Smartpay Group Holdings Limited (formerly known as "Oriental City Group Holdings Limited"), a company listed on the Stock Exchange. Mr. Zhang is a director of various companies the shares of which are listed on the Stock Exchange, including as an independent non-executive director of Fosun International Limited (Stock Code: 656), an independent non-executive director of Zhong An Real Estate Limited (Stock Code: 672), a non-executive director of Bower Power Holdings Limited (Stock Code: 1685), Oriental City Group Holdings Limited (Stock Code: 8325), an independent non-executive director of China Huirong Financial Holdings Limited (Stock Code: 1290), an independent non-executive director of Luye Pharma Group Ltd., and an independent non-executive director of Ernest Borel Holdings Limited. Since February 2013, Mr. Zhang has also been a director of Nanjing Central Emporium Group Stocks Co., Ltd. (600280.SS), a company the shares of which are listed on the Shanghai Stock Exchange and an independent non-executive director of Yancoal Australia Ltd., a company listed on the Australia Securities Exchange. From June 1999 to April 2006, Mr. Zhang had worked with UBS AG, Hong Kong Branch and held positions as a director, executive director, managing director and the co-head of its China research team. From September 2011 to April 2012, Mr. Zhang also served as an executive director and chief executive officer of Man Sang International Limited (Stock Code: 938), a company whose shares are listed on the Stock Exchange. Mr. Zhang obtained a master's degree in economics from the Graduate School of the People's Bank of China in July 1986 and obtained a master's degree in economics of development from the Australian National University in April 1991.

Ms. Liu Ka Ying, Rebecca (廖家瑩), aged 47, was appointed as our Independent Non-executive Director on November 18, 2013. From June 1996 to March 2002, Ms. Liu served as the general manager for the Asia and China region of The PRG-Schultz International, Inc., a company listed on NASDAQ. In January 2007, Ms. Liu was appointed as the chief executive officer of AllPanther Asset Management Limited (竣富(資產)管理有限公司) and served at such position since then. She possesses experience in management, investment in real estate development and private investment funds, as well as accounting and financial management.

Ms. Liu is a member of the American Institute of Certified Public Accountants (AICPA), Illinois CPA Society (ICPAS) of the United States and Hong Kong Institute of Certified Public Accountants (HKICPA). Ms. Liu obtained a double bachelor's degree in Business Administrative Studies from York University, Canada with major in management and in accounting (with honours) in 1992 and 1994, respectively. She also obtained a doctoral's degree in business administration from Victoria University of Switzerland in November 2011. She is also a member of the Tenth Jilin Provincial Committee of the Chinese People's Political Consultative Conference, Hong Kong Institute of Bankers, Association of Women Accountants (Hong Kong) Limited and Hong Kong Professionals and Senior Executives Association and Hong Kong China Chamber of Commerce.

Mr. Cai Suisheng (蔡穗聲), aged 66, was appointed as our Independent Non-executive Director on November 18, 2013. Mr. Cai is currently the president of Guangdong Provincial Real Estate Association (廣東省房地產行業協會) and a member of the Housing Policy Expert Committee of the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部住房政策專家委員會). Also, in 2004, Mr. Cai was a visiting scholar at the Institute of Housing and Urban Research of Uppsala University in Sweden (瑞典烏普薩拉大學住房與城市發展研究所). From 2006 to 2010, Mr. Cai served as a standing director of the China Real Estate Association (中國房地產業協會). In June 2014, Mr. Cai was re-designated from independent non-executive director to external director of Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠實業關發股份有限公司), a company listed on the Shanghai Stock Exchange. In October 2013, Mr. Cai was appointed as emeritus professor of the department of urban planning and design of the University of Hong Kong and as visiting professor of College of Real Estate of Beijing Normal University (Zhu). Mr. Cai has in-depth knowledge and extensive experience in real estate policy, market and urban management and has published numerous articles and reviews regarding the real estate market, housing policy as well as urban development and management in various newspapers and publications.

SENIOR MANAGEMENT

The table below sets forth certain information concerning our other senior management members:

Name	Age	Position
Kei Hoi Pang (紀海鵬)	50	Chairman and chief executive officer
Ji Jiande (紀建德)	43	Vice president
Xiao Xu (肖旭)	45	Assistant to president
Lai Zhuobin (賴卓斌)	45	Finance director
Huang Xiangling (黃湘玲)	40	Vice president, primarily responsible for the management of our president's office and public affairs

Please refer to the section entitled "—Directors" above for the biographies of Mr. Kei Hoi Pang, Mr. Ji Jiande, Mr. Lai Zhuobin and Mr. Xiao Xu.

Ms. Huang Xiangling (黃湘玲), aged 40, is a vice president of our Company. She is mainly responsible for the management of our president's office and public affairs. Ms. Huang joined Logan Real

Estate in 2005. Since August 2005 and May 2011, Ms. Huang has served as the general manager of Shantou Logan Property and assistant to the president of Shenzhen Youkaisi, respectively. Ms. Huang has extensive experience in project management, internal management and external liaison. Ms. Huang obtained a diploma in public affairs management from Zhejiang University (浙江大學) in June 2007 through long-distance learning.

COMPANY SECRETARY

Ms. Li Yan Wing, Rita (李昕穎), aged 50, is a director of the corporate services division of Tricor Services Limited. Ms. Li is a chartered secretary and a fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 24 years' experience in corporate advisory services. Prior to joining Tricor Services Limited, Ms. Li served as a senior manager of the company secretarial department of Tengis Limited. Ms. Li currently also serves as the company secretary of China Outfitters Holdings Limited (stock code: 1146) and Kee Holdings Company Limited (stock code: 2011), companies whose shares are listed on the Stock Exchange.

BOARD COMMITTEES

Audit Committee

We have established an audit committee on November 18, 2013 with written terms of reference in compliance with the Listing Rules. The audit committee consists of three Independent Non-executive Directors, Ms. Liu Ka Ying, Rebecca (being the chairman of the audit committee who has a professional qualification in accountancy), Mr. Cai Suisheng and Mr. Zhang Huaqiao. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on November 18, 2013 with written terms of reference in compliance with the Listing Rules. The remuneration committee consists of three members, two of whom are Independent Non-executive Directors, being Ms. Liu Ka Ying, Rebecca and Mr. Zhang Huaqiao, as well as our Executive Director, Mr. Kei Hoi Pang. The remuneration committee is chaired by Mr. Zhang Huaqiao. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to a share option scheme.

In 2015 and 2016, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to our profit performance and the individual performance of our Directors and senior management members.

Nomination Committee

We have established a nomination committee on November 18, 2013 with written terms of reference. The nomination committee consists of three members, namely Mr. Kei Hoi Pang, Mr. Zhang Huaqiao and Ms. Liu Ka Ying, Rebecca. Two of the members are our Independent Non-executive Directors. The chairman of the nomination committee is Mr. Kei Hoi Pang. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the years ended December 31, 2015 and 2016, was RMB35.0 million and RMB57.5 million (US$8.3 million), respectively.

The aggregate amount of remuneration, including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by us to our five highest paid individuals for the years ended December 31, 2015 and 2016 was RMB37.3 million and RMB59.3 million (US$8.5 million) respectively.

No remuneration was paid by us to the Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2015 and 2016. Further, none of our Directors waived any remuneration during the same periods.

SHARE OPTION SCHEME

Our shareholders adopted a share option scheme on November 18, 2013 in accordance with the Listing Rules. Our board may, at its discretion, offer to grant an option to subscribe for such number of new shares as it may determine at a price to any of our full-time or part-time employees, executives, officers, Directors (including Independent Non-executive Directors), advisors, consultants, suppliers, customers, distributors, agents and any such other persons who in the sole opinion of our board, will contribute or have contributed to us. The share option scheme shall be valid and effective for a period of ten years from the date of its adoption and no option may be exercised more than ten years after it has been granted.

The maximum number of shares in respect of which options may be granted under our share option scheme must not exceed 30% of the shares in issue from time to time. As of the date of this information memorandum, we have granted 198,260,000 share options to certain Directors and employees of our Group to subscribe for shares under the share option scheme, and no options have been exercised.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of the date of this information memorandum by those persons who beneficially own more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong (the "SFO")):

Name of Shareholder	Nature of interest	Number of Shares[(1)]	Approximate percentage of interest in us[(5)]
Mr. Kei Hoi Pang	Beneficiary of a family trust, interest of a controlled corporation	4,250,000,000 (L)	77.32%
	Beneficial owner	13,120,000 (L)[(2)]	0.24%
Ms. Kei Perenna Hoi Ting	Beneficiary of the Family Trust, interest of controlled corporations[(3)]	4,250,000,000 (L)	77.32%
	Beneficial owner	2,050,000 (L)	0.04%
Junxi Investments Limited[(4)]	Beneficial owner	3,400,000,000 (L)	61.86%
Kei Family United Limited[(4)]	Interest of a controlled corporation	3,400,000,000 (L)	61.86%
Brock Nominees Limited[(4)]	Nominee	3,400,000,000 (L)	61.86%
Tenby Nominees Limited[(4)]	Nominee	3,400,000,000 (L)	61.86%
Credit Suisse Trust Limited[(4)]	Trustee	3,400,000,000 (L)	61.86%
Dragon Julibee Investments Limited	Beneficial owner	425,000,000 (L)	7.73%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Including the grant of 8,170,000 share options which has been approved by independent shareholders on July 31, 2014.

(3) Ms. Kei is also indirectly interested in us through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively 15.46% interests in us.

(4) Ms. Kei is the settler and a beneficiary of a family trust, which is a trust set up to hold the interest of Ms. Kei and her family (excluding Mr. Kei) in us. The family trust is interested in the entire interest of the Kei Family United Limited which in turns hold the entire interest in the Junxi Investments Limited. Further, Mr. Kei is considered to be interested in our shares through Junxi Investments Limited and Ms. Kei as (i) Junxi Investments Limited is a company which is entirely owned by the family trust to which Ms. Kei is the settler and a beneficiary and (ii) Ms. Kei being a person accustomed to act in accordance with Mr. Kei's directions.

(5) The percentage is calculated based on the total number of shares as at the date of this information memorandum.

Except as disclosed above, as of the date of this information memorandum, no other parties had registered an interest or short position in our shares or underlying shares that was required to be recorded pursuant to Section 336 of the SFO.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of December 31, 2016, our total outstanding borrowings (excluding the Existing Notes and Corporate Bonds) amounted to RMB15,078.0 million (US$2,171.7 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC BANK LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including Industrial and Commercial Bank of China, China Construction Bank, China Mingsheng Bank, Hua Xia Bank, China CITIC Bank, Agricultural Development Bank of China, Chang'an Bank and China Bohai Bank. These PRC bank loans include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from 11 months to 15 years, which generally correspond to the construction periods of the particular projects. As of December 31, 2016, the aggregate outstanding amount under these PRC bank loans totaled approximately RMB8,284.7 million (US$1,193.2 million), of which RMB1,926.7 million (US$277.5 million) was due within one year, RMB2,755.3 million (US$396.8 million) was due between one and two years, RMB3,321.2 million (US$478.4 million) was due between two and five years and RMB281.5 million (US$40.5 million) was due over five years. Our PRC bank loans are typically secured by land use rights and properties as well as guaranteed by certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under these PRC bank loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates are generally subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2016, the weighted average interest rate on the aggregate outstanding amount of these PRC bank loans was 5.6% per annum.

Covenants

Under these PRC bank loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganisations;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts that may adversely affect their ability to repay the loans;
- prepay the loans; and
- transfer part or all of their liabilities under the loans to a third party.

Events of Default

These PRC bank contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Our Company and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of these PRC bank loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these PRC bank loans. Further, as of December 31, 2016, RMB5,169.0 million (US$744.5 million) of these PRC bank loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or our other PRC subsidiaries.

Dividend Restrictions

Pursuant to these PRC bank loans with certain PRC banks, some of our PRC subsidiaries, including Haikou Logan Property Development Co., Ltd., Foshan Logan Sunshine Coast Property Co., Ltd., Shenzhen Logan Century Business Management Co., Ltd., Nanning Logan Mingjun Property Development Co., Ltd. and Shenzhen Chenrong Construction Materials Co., Ltd. also agreed not to distribute any dividend without the written consent of such PRC banks:

- before the principal amount of and accrued interest on the relevant project loan have been fully paid; or
- before any principal amount of and accrued interest on the relevant project loan due within the period have been fully paid.

OTHER FINANCINGS

We have obtained, from time to time, secured and unsecured other financings from a number of trust companies in the PRC. The terms of our trust financings range from one to three years, and the interest rates range from 4.98% to 8.68% per annum. As of the date of this information memorandum, the amount under our trust financings aggregate to RMB5,581.5 million (US$803.9 million).

Overview of Trust Financings

Although we have not experienced any difficulty in obtaining bank loans necessary to fund our developments, we also utilise loans from trust companies with a view to diversifying our financing sources, given that loans from trust companies give us more flexibility. We believe this is in line with the industry practise.

In general, the interest rates of our other loans from trust companies are higher than those of our bank loans. In addition, while banks generally do not accept transferred equity interests to secure repayment obligations, trust companies are generally more flexible in accepting different types of security. For instance, in the past, we transferred equity interests in a project subsidiary to the lending trust company to secure our loan with it, which were transferred back to us when we repaid the loan. Our currently effective loans with trust companies do not have such equity transferring feature. Our other loans may include customary covenants, such as allowing lenders' ongoing supervision of our operational and financial conditions, prohibition against using the borrowings for investment purposes, and requirements to notify the lenders in the event of material adverse changes in our operations and financial conditions. In the event of default, we may be required to make immediate repayments of loans, pay a penalty or indemnify the lenders.

PUBLIC CORPORATE BONDS

RMB5.0 Billion Public Corporate Bonds

Shenzhen Logan issued a public corporate bond which was listed and traded on the Shanghai Stock Exchange in an aggregate principal amount of RMB5.0 billion (US$0.7 billion) to qualified investors only in tranches. The first tranche was issued on August 19, 2015 in an amount of RMB4.0 billion (US$0.6 billion) with a five-year term at a coupon rate of 5% per annum. At the end of the third year, Shenzhen Logan has a right to adjust the coupon rate, and the investor can exercise a retractable option. The second tranche was issued on August 27, 2015 in an amount of RMB1.0 billion (US$0.1 billion) with a four-year term at a coupon rate of 4.77% per annum. At the end of the second year, Shenzhen Logan has a right to adjust the coupon rate, and the investors can exercise a retractable option.

RMB1.4 billion Public Corporate Bonds

Shenzhen Logan issued a public corporate bond on October 20, 2016 which was listed and traded on the Shenzhen Stock Exchange in an aggregate principal amount of RMB1.4 billion (US$0.2 billion) to qualified investors only with a five-year term at a coupon rate of 3.4% per annum. At the end of the third year, Shenzhen Logan Holding Co., Ltd. has a right to adjust the coupon rate, and the investors can exercise a retractable option.

PRIVATE CORPORATE BONDS

RMB3.0 Billion Private Corporate Bonds

Shenzhen Logan issued a private corporate bonds which was listed and traded on the Shanghai Stock Exchange in an aggregate principal amount of RMB3.0 billion (US$0.4 billion) to qualified investors only in tranches. The first tranche was issued on January 13, 2016 in an aggregate principle amount of RMB2.5 billion (US$0.4 billion) with a three-year term at a coupon rate of 5.8% per annum. At the end of second year, Shenzhen Logan has a right to adjust the coupon rate, and the investor can exercise a retractable option. The second tranche was issued on May 16, 2016 in an aggregate principle amount of RMB500.0 million (US$72.0 million) with a four-year term at a coupon rate of 5.2% per annum. At the end of the second year, Shenzhen Logan has a right to adjust the coupon rate, and the investor can exercise a retractable option.

RMB3.0 Billion Private Corporate Bonds

Shenzhen Logan issued a private corporate bond only July 25, 2016 which was listed and traded on the Shenzhen Stock Exchange in an aggregate principal amount of RMB3.0 billion (US$0.4 billion) to qualified investors only in tranches with a five-year term at a coupon rate of 5.15% per annum. At the end of the third year the Company has a right to adjust the coupon rate, and the investor can exercise a retractable option.

JUNE 2014 NOTES

On June 4, 2014, we entered into an indenture (as amended or supplemented from time to time, the "June 2014 Indenture"). Pursuant to the June 2014 Indenture, we issued an aggregate principal amount of US$300 million of the June 2014 Notes on June 4, 2014. The June 2014 Notes are unsecured. As of the date of this information memorandum, the entire principal amount of the June 2014 Notes is outstanding.

Guarantee

The obligations pursuant to the June 2014 Notes are guaranteed by our existing subsidiaries (the "June 2014 Subsidiary Guarantors") other than (i) those organised under the laws of the PRC and (ii) certain other subsidiaries specified in the June 2014 Indenture. Each of the June 2014 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the June 2014 Notes.

Interest

The June 2014 Notes bear interests at 11.25% *per annum*, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the June 2014 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The June 2014 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the June 2014 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the June 2014 Indenture or the holders of at least 25% of the outstanding June 2014 Notes may declare the principal of the June 2014 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding June 2014 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the June 2014 Notes is June 4, 2019.

At any time and from time to time on or after June 4, 2017, we may redeem the June 2014 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount of the June 2014 Notes set forth in the table below plus any accrued and unpaid interest to (but not including) the redemption date, if redeemed during the twelve month period beginning on June 4 of each year set forth below:

Period	Redemption Price
2017	105.6250%
2018 and thereafter	102.8125%

At any time and from time to time prior to June 4, 2017, we may redeem the June 2014 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the June 2014 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date.

At any time and from time to time prior to June 4, 2017, we may redeem up to 35% of the aggregate principal amount of the June 2014 Notes at a redemption price equal to 111.25% of the principal amount of the June 2014 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the June 2014 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the June 2014 Notes at a redemption price equal to 100% of the principal amount of the June 2014 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

DECEMBER 2014 NOTES

On December 8, 2014, we entered into an indenture (as amended or supplemented from time to time, the "December 2014 Indenture"). Pursuant to the December 2014 Indenture, we issued an aggregate principal amount of US$250 million of the December 2014 Notes on December 8, 2014. The December 2014 Notes are unsecured. As of the date of this information memorandum, the entire principal amount of the December 2014 Notes is outstanding.

Guarantee

The obligations pursuant to the December 2014 Notes are guaranteed by our existing subsidiaries (the "December 2014 Subsidiary Guarantors") other than (i) those organised under the laws of the PRC and (ii) certain other subsidiaries specified in the December 2014 Indenture. Each of the December 2014 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the December 2014 Notes.

Interest

The December 2014 Notes bear interests at 9.75% *per annum*, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the December 2014 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;

- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The December 2014 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the December 2014 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the December 2014 Indenture or the holders of at least 25% of the outstanding December 2014 Notes may declare the principal of the December 2014 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding December 2014 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the December 2014 Notes is December 8, 2017.

At any time and from time to time prior to December 8, 2017, we may redeem the December 2014 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the December 2014 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date.

At any time and from time to time prior to December 8, 2017, we may redeem up to 35% of the aggregate principal amount of the December 2014 Notes at a redemption price equal to 109.75% of the principal amount of the December 2014 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the December 2014 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the December 2014 Notes at a redemption price equal to 100% of the principal amount of the December 2014 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

JANUARY 2016 NOTES

On January 19, 2016, we entered into an indenture (as amended or supplemented from time to time, the "January 2016 Indenture"). Pursuant to the January 2016 Indenture, we issued an aggregate principal amount of US$260 million of the January 2016 Notes on January 19, 2016. The January 2016 Notes are unsecured. As of the date of this information memorandum, the entire principal amount of the January 2016 Notes is outstanding.

Guarantee

The obligations pursuant to the January 2016 Notes are guaranteed by our existing subsidiaries (the "January 2016 Subsidiary Guarantors") other than (i) those organised under the laws of the PRC and (ii) certain other subsidiaries specified in the January 2016 Indenture. Each of the January 2016 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the January 2016 Notes.

Interest

The January 2016 Notes bear interests at 7.70% *per annum*, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2016 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The January 2016 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the January 2016 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the January 2016 Indenture or the holders of at least 25% of the outstanding January 2016 Notes may declare the principal of the January 2016 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding January 2016 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2016 Notes is January 19, 2020.

At any time and from time to time on or after January 19, 2020, we may redeem the January 2016 Notes, in whole or in part, at a redemption price equal to the 103% of principal amount of the January 2016 Notes set forth in the table below plus any accrued and unpaid interest to (but not including) the redemption date.

Additionally, if we or a subsidiary guarantor under the January 2016 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the January 2016 Notes at a redemption price equal to 100% of the principal amount of the January 2016 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

JANUARY 2017 NOTES

On January 3, 2017, we entered into an indenture (as amended or supplemented from time to time, the "January 2017 Indenture"). Pursuant to the January 2017 Indenture, we issued an aggregate principal amount of US$200 million of the January 2017 Notes on January 3, 2017. The January 2017 Notes are unsecured. As of the date of this information memorandum, the entire principal amount of the January 2017 Notes is outstanding.

Guarantee

The obligations pursuant to the January 2017 Notes are guaranteed by our existing subsidiaries (the "January 2017 Subsidiary Guarantors") other than (i) those organised under the laws of the PRC and (ii) certain other subsidiaries specified in the January 2017 Indenture. Each of the January 2017 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the January 2017 Notes.

Interest

The January 2017 Notes bear interests at 5.75% *per annum*, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2017 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;

- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The January 2017 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the January 2017 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the January 2017 Indenture or the holders of at least 25% of the outstanding January 2017 Notes may declare the principal of the January 2017 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding January 2017 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2017 Notes is January 3, 2022.

At any time and from time to time on or after January 3, 2020, we may redeem the January 2017 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount of the January 2017 Notes set forth in the table below plus any accrued and unpaid interest to (but not including) the redemption date.

Period	Redemption Price
2020	102.8750%
2021 and thereafter	101.4375%

At any time and from time to time prior to January 3, 2020, the Company may at its option redeem the January 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2017 Notes plus the applicable premium as of, and accrued and unpaid interest (if any) to (but not including), the redemption date.

Additionally, if we or a subsidiary guarantor under the January 2017 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the January 2017 Notes at a redemption price equal to 100% of the principal amount of the January 2017 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

MAY 2017 NOTES

On May 23, 2017, we entered into an indenture (as amended or supplemented from time to time, the "May 2017 Indenture"). Pursuant to the May 2017 Indenture, we issued an aggregate principal amount of US$450 million of the May 2017 Notes on May 23, 2017. The May 2017 Notes are unsecured. As of the date of this information memorandum, the entire principal amount of the May 2017 Notes is outstanding.

Guarantee

The obligations pursuant to the May 2017 Notes are guaranteed by our existing subsidiaries (the "May 2017 Subsidiary Guarantors") other than (i) those organised under the laws of the PRC and (ii) certain other subsidiaries specified in the May 2017 Indenture. Each of the May 2017 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the May 2017 Notes.

Interest

The May 2017 Notes bear interests at 5.25% *per annum*, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the May 2017 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The May 2017 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the May 2017 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the May 2017 Indenture or the holders of at least 25% of the outstanding May 2017 Notes may declare the principal of the May 2017 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding May 2017 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the May 2017 Notes is February 23, 2023.

At any time and from time to time on or after May 23, 2020, we may redeem the May 2017 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount of the May 2017 Notes set forth in the table below plus any accrued and unpaid interest to (but not including) the redemption date.

Period	Redemption Price
2020	102.6250%
2021 and thereafter	101.3125%

At any time and from time to time prior to May 23, 2020, the Company may at its option redeem the May 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the May 2017 Notes plus the applicable premium as of, and accrued and unpaid interest (if any) to (but not including), the redemption date.

Additionally, if we or a subsidiary guarantor under the May 2017 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the May 2017 Notes at a redemption price equal to 100% of the principal amount of the May 2017 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

HANG SENG BANK FACILITY

On August 18, 2015, we, through our wholly owned subsidiary, Golden Prosper (Hong Kong) Investments Holding Limited, entered into a facility letter with Hang Seng Bank pursuant to which we were granted a term loan for an aggregate principal amount of up to RMB50.0 million (US$7.5 million) or its equivalent in HK dollar or US dollar subject to applicable monetary caps (the "Hang Seng Bank Facility"). As of the date of this information memorandum, we used HK$56.9 million from the Hang Seng Bank Facility.

The Hang Seng Bank Facility has a term of 24 months from September 2, 2015 or shortly before the expiry date of the standby letter of credit referred to in the Guarantee section below.

Guarantee

The Hang Seng Bank Facility is guaranteed by a standby letter of credit issued by Hang Seng Bank (China) Limited, Shengzhen Branch, for an amount of RMB50 million, which is secured by certain properties of our Company.

Interest

The Hang Seng Bank Facility bears interest at the rate of (i) 3% per annum over HIBOR for drawdown in HKD; (ii) 3% per annum over LIBOR for drawdown in USD; or (iii) 3% per annum over RMB prime rate announced by Hang Seng Bank from time to time as its base rate for Renminbi finance for drawdown in RMB subject to applicable terms and conditions.

Covenants

The Hang Seng Bank Facility requires our Company to maintain 100% beneficial shareholding in the borrowing subsidiary. It also restricts the relevant subsidiary from, among other things:

- Effecting a consolidation or merger;
- Changing the nature and scope of business in any material aspect;
- Selling assets without the bank's prior consent;
- Remitting drawdown proceeds to PRC for any purposes; and
- Using the loan proceeds for property acquisition or property investment.

HANG SENG BANK FACILITY

On December 8, 2016, we entered into a facility agreement with Hang Seng Bank Limited as lender, pursuant to which we were granted a term loan facility of HK$426.0 million (US$54.9 million) for our general corporate purposes. As of the date of this information memorandum, the entire principal amount remains outstanding.

Interest and Maturity

This facility bears fixed rate interest at HIBOR plus 3.08% per annum, payable one month and is due on December 8, 2019.

If any amount payable is due and outstanding, default interest shall accrue from the due date up to the date of actual payment at a rate of 2% plus the original interest rate.

We may prepay the facility, in whole or in part, by giving not less than 30 days' (or such shorter period as the lender may agree) written notice in advance to the lender.

Financial Covenants

Under the facility agreement, we undertook to ensure the following at all times and for so long as any loan is outstanding:

- our consolidated tangible net worth shall not be less than RMB9.0 billion;
- the ratio of consolidated net borrowings to the consolidated tangible net worth shall not be more than 1.00:1;
- the ratio of consolidated PRC borrowings to the consolidated total assets, expressed as a percentage, shall not be more than 60%;
- the ratio of the consolidated EBITDA in respect of any relevant period to the consolidated fixed charges in respect of the relevant period shall not be less than 2.00:1; and
- the dividend payout ratio in any financial year shall not be more than 50%.

In connection with the offering of the Securities, we have obtained a waiver with respect to the ratio of consolidated net borrowings to the consolidated tangible net worth.

Events of Default

The facility agreement contains certain customary events of default, including default in payment, breaches of the terms of the facility agreement and cross default.

In addition, Ms. Kei Perenna Hoi Ting, her spouse and children collectively have to own at least 51% beneficial shareholding interest in our issued share capital and carry 51% of the voting rights, and Mr. Kei Hoi Pang has to have our management control and stay as our chairman.

The facility agent is entitled to demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default which is continuing.

Guarantee and Security

All our obligations under this facility are guaranteed by certain of our subsidiaries incorporated outside the PRC jointly and severally and no security agreement has been entered into.

INDUSTRIAL BANK FACILITY

On February 22, 2017, we entered into a facility agreement ("Industrial Bank Facility") with Industrial Bank Co., Ltd., Hong Kong Branch as lender, pursuant to which we were granted a transferable term loan facility of up to HK$500,000,000 to finance our general corporate funding requirements. As of the date of this offering memorandum, the entire principal amount remains outstanding.

Interest and Maturity

The loans granted to us under the Industrial Bank Facility will be in either U.S. dollars or Hong Kong dollars. This facility bears fixed rate interest at LIBOR plus 3.8% per annum with respect to the loans in U.S. dollars or HIBOR plus 3.8% per annum with respect to the loans in Hong Kong dollars. The interest is payable every month, every three months or every six months at our selection, or otherwise agreed between us and the lender.

If any amount payable is due and outstanding, default interest shall accrue from the due date up to the date of actual payment at a rate of 2% plus the original interest rate.

We may prepay the facility, in whole or in part, by giving not less than 30 business days' (or such shorter period as the lender may agree) written notice in advance to the lender.

The Industrial Bank Facility matures on February 22, 2020.

Financial Covenants

Under the facility agreement, we undertook to ensure the following at all times and for so long as any loan is outstanding:

- our consolidated tangible net worth shall be more than RMB9.0 billion;
- the ratio of consolidated net borrowings to the consolidated tangible net worth shall not be more than 1:1;
- the ratio of the consolidated EBITDA in respect of any relevant period to the consolidated fixed charges in respect of the relevant period shall not be less than 1.5:1; and
- the dividend payout ratio in any financial year shall not be more than 50%.

Events of Default

The facility agreement contains certain customary events of default, including default in payment, breaches of the terms of the facility agreement and cross default. In addition, Mr. Kei Hoi Pang and his spouse, Ms. Kei Perenna Hoi Ting and her spouse and children of Mr. Kei Hoi Pang and Ms. Kei Perenna Hoi Ting collectively have to own at least 51% beneficial shareholding interest in our issued share capital and carry 51% of the voting rights. Mr. Kei Hoi Pang or Ms. Kei Perenna Hoi Ting has to have our management control. Mr. Kei Hoi Pang, Ms. Kei Perenna Hoi Ting or Mr. Ji Jiande has to stay as our chairman. The lender is entitled to demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default which is continuing.

Guarantee and Security

All our obligations under this facility are guaranteed by certain of our subsidiaries incorporated outside the PRC jointly and severally and no security agreement has been entered into.

CREDIT SUISSE LOAN FACILITY

On March 21, 2017, we entered into a loan agreement ("Credit Suisse Loan Facility") with Credit Suisse AG, Singapore Branch, Industrial Bank Co., Ltd., Hong Kong Branch and Nanyang Commercial Bank, Limited, pursuant to which we were granted a term loan facility of US$150,000,000 primarily to refinance our existing indebtedness. As of the date of this offering memorandum, the entire principal amount remains outstanding.

Interest and Maturity

The Credit Suisse Loan Facility bears fixed rate interest at LIBOR plus 3.75% per annum. The interest is payable every month, or otherwise agreed between us and the lenders.

If any amount payable is due and outstanding, default interest shall accrue from the due date up to the date of actual payment at a rate of 2% plus the original interest rate.

We may prepay the facility, in whole or in part, by giving not less than 10 business days' prior notice to the facility agent.

The Credit Suisse Loan Facility matures on the date which falls 36 months from the date of our first utilisation of the facility.

Financial Covenants

Under the facility agreement, we undertook to ensure the following at all times and for so long as any loan is outstanding:

- our consolidated tangible net worth shall not be less than RMB9.0 billion;
- the ratio of consolidated net borrowings to the consolidated tangible net worth shall not be more than 1.00:1;
- the ratio of the consolidated PRC borrowings to the consolidated total assets, expressed as a percentage, shall not be more than 60%;
- the ratio of the consolidated current assets to the consolidated current liabilities shall not be less than 1.20:1;
- the ratio of the consolidated EBITDA in respect of any relevant period to the consolidated fixed charges in respect of the relevant period shall not be less than 2.00:1; and
- the dividend payout ratio in any financial year shall not be more than 50%.

Events of Default

The facility agreement contains certain customary events of default, including default in payment, breaches of the terms of the facility agreement and cross default. In addition, Mr. Kei Hoi Pang and his spouse, Ms. Kei Perenna Hoi Ting and children of Mr. Kei Hoi Pang or his spouse collectively have to own at least 51% of our issued share capital. Mr. Kei Hoi Pang shall have control of us. Mr. Kei Hoi Pang, Ms. Kei Perenna Hoi Ting or Mr. Ji Jiande has to stay as our president or chairman of the board of directors. The lenders are entitled to demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default which is continuing.

Guarantee and Security

All our obligations under this facility are guaranteed by certain of our subsidiaries incorporated outside the PRC jointly and severally and no security agreement has been entered into.

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Conditions of the Securities which (subject to modification) will be endorsed on each definitive certificate evidencing the Securities (if issued):

The U.S.$350,000,000 in aggregate principal amount of perpetual capital securities (each, a "**Security**" and, together, the "**Securities**," which expressions include any further securities issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Logan Property Holdings Company Limited (龍光地產控股有限公司) (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated May 31, 2017 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citicorp International Limited as trustee (the "**Trustee**," which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated May 31, 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as registrar (the "**Registrar**," which expression includes any successor registrar appointed from time to time in connection with the Securities), as principal paying agent (the "**Principal Paying Agent**," which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), as transfer agent (the "**Transfer Agent**," which expression includes any successor or additional transfer agent appointed from time to time in connection with the Securities), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**," which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Holders (as defined in Condition 3(a) (*Register, Title and Transfers—Register*)) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Holders during normal business hours at the corporate trust office for the time being of the Trustee, being at the date hereof 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

1. Form and Denomination

The Securities are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

2. Status and Subordination of the Securities

(a) *Status of the Securities*: The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and *pari passu* with any Parity Obligations (as defined in Condition 17 (*Definitions*)) of the Issuer. The rights and claims of the Holders in respect of the Securities are subordinated as provided in this Condition 2.

(b) *Ranking of claims in respect of the Securities*: In the event of the Winding-Up (as defined in Condition 17 (*Definitions*)) of the Issuer, the rights and claims of the Holders in respect of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Obligations (as defined in Condition 17 (*Definitions*)) of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer, other than the claims of holders of Parity Obligations of the Issuer.

(c) *Set-off—Securities*: Subject to applicable law, neither the Trustee nor any Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived, all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to the Trustee or any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, the Trustee or such Holder (as the case may be) shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator) and accordingly any such discharge shall be deemed not to have taken place.

3. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Securities outside of Hong Kong and the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Security shall (except as otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Securities or the Trust Deed under the Contracts (Rights of Third Parties) Ordinance (Cap. 623) of Hong Kong but this shall not affect any right or remedy which exists or is available apart from such Act.

(c) *Transfers*: Subject to Condition 3(f) (*Register, Title and Transfers—Closed periods*) and Condition 3(g) (*Register, Title and Transfers—Regulations concerning transfers and registration*) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or (as the case may be) the Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor.

(d) *Registration and delivery of Certificates*: Within five business days of the surrender of a Certificate in accordance with Condition 3(c) (*Register, Title and Transfers—Transfers*), the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Securities transferred to each relevant Holder at its specified office or (as the case may be) the specified office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 3 (*Register, Title and Transfer)*, "**business day**" means a day, excluding a Saturday and a Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its specified office.

(e) *No charge*: The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but against such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Holders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or Distribution (as defined in Condition 4(a) (*Distributions — Accrual of Distribution*)) in respect of the Securities.

(g) *Regulations concerning transfers and registration*: All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The parties to the Agency Agreement may agree, without the consent of the Holders to any modifications to any provisions thereof (including the regulations concerning the transfer of Securities). A copy of the current regulations will be mailed (free of charge to the Holder and at the cost of the Issuer) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. Distributions

(a) *Accrual of Distributions*:

(i) Subject to Condition 4(d) (*Distributions — Distribution Deferral*), the Securities confer a right to receive distributions (each, a "**Distribution**") from, and including, May 31, 2017 (the "**Issue Date**") at the applicable Distribution Rate (as defined in Condition 4(b) (*Distributions — Rate of Distribution*)) in accordance with this Condition 4 (*Distributions*). Subject to Condition 4(d) (*Distributions — Distribution Deferral*), Distributions shall be payable semi-annually in arrear on May 31 and November 30 of each year (each, a "**Distribution Payment Date**"), except that the first payment of Distribution shall be made on November 30, 2017 (also, a "**Distribution Payment Date**") in respect of the period from (and including) the Issue Date to (but excluding) such Distribution Payment Date.

(ii) Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, Distribution will continue to accrue at the applicable Distribution Rate plus 0.5 per cent. per annum from the due date for redemption (after as well as before any judgement) up to but excluding whichever is the earlier of (a) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

(iii) The amount of Distribution payable on each Distribution Payment Date up to and including the First Reset Date shall be U.S.$35.0 in respect of each Calculation Amount. If a Distribution is required to be paid in respect of a Security on any other date, it shall be calculated by applying the Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Security divided by the Calculation Amount, where "**Calculation Amount**" means US$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

(iv) Distribution payable under this Condition 4 (*Distributions*) will be paid in accordance with Condition 6 (*Payments*).

(b) *Rate of Distributions*: The rate of distribution ("**Distribution Rate**") applicable to the Securities shall be:

(i) in respect of the period from, and including, the Issue Date to, but excluding, May 31, 2022 (the "**First Reset Date**"), the Initial Distribution Rate;

(ii) from and including, each Reset Date falling on and after the First Reset Date, to, but excluding, the immediately following Reset Date, up to the Reset Date falling on May 31, 2037 (the "**Additional Step-up Margin Reset Date**"), the First Reset Distribution Rate; and

(iii) from, and including, each Reset Date falling on and after the Additional Step-up Margin Reset Date, to, but excluding, the immediately following Reset Date, the Second Reset Distribution Rate,

provided, in each case, that in the event of the occurrence of a Change of Control, if the Issuer does not elect to redeem the Securities within 30 days of a Change of Control Triggering Event in accordance with the provisions described under Condition 5(f) (*Redemption and Purchase —Redemption in the case of a Change of Control Triggering Event*) then the then prevailing Distribution Rate applicable to the Securities shall be increased by 3.0 per cent. per annum with effect from the next Distribution Payment Date (or, if the relevant event occurs on or after the date which is two Business Days prior to the next Distribution Payment Date, the next following Distribution Payment Date).

(c) *Calculation of Distribution Rate*: The Independent Investment Bank will, on the Calculation Business Day prior to each Reset Date, calculate the applicable Reset Distribution Rate payable in respect of the Securities. The Independent Investment Bank will cause the applicable Reset Distribution Rate determined by it to be notified to the Issuer, the Principal Paying Agent, the Trustee, the Holders and each listing authority, stock exchange and/or quotation system (if any) on or by which the Securities have then been admitted to listing, trading and/or quotation as soon as practicable after the relevant Reset Date. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4(c) (*Distributions—Calculation of Distribution Rate*) by the Independent Investment Bank will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent, the Trustee and the Holders and (in the absence of the aforesaid) no liability to any such person will attach to the Independent Investment Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(d) *Distribution Deferral*:

(i) *Optional Deferral*: The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date (an "**Optionally Deferred Distribution Payment**") by giving notice (an "**Optional Distribution Deferral Notice**") to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date (an "**Optional Deferral Event**"). Any partial payment of any outstanding Distributions (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro rata* basis.

(ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(d)(i) (*Distributions—Distribution Deferral—Optional Deferral*) and any failure to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall not constitute a default of the Issuer in respect of the Securities.

(iii) *Requirements as to Notice*: Prior to publishing any Optional Distribution Deferral Notice, the Issuer shall deliver to each of the Trustee and the Principal Paying Agent a certificate in the form scheduled to the Trust Deed signed by two duly authorised officers of the Issuer confirming that an Optional Deferral Event has occurred and is continuing. The

Trustee and the Principal Paying Agent shall be entitled to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the occurrence of an Optional Deferral Event and it shall be conclusive and binding on the Holders.

(iv) *Cumulative Deferral*:

(A) Any Distribution deferred pursuant to this Condition 4(d) (*Distributions—Distribution Deferral)* shall constitute "**Arrears of Distribution**." The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the notice requirements in Condition 4(d)(i) (*Distributions—Distribution Deferral—Optional Deferral*) applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times any Distribution and/or Arrears of Distribution may be deferred pursuant to this Condition 4(d) (*Distributions—Distribution Deferral)* except that this Condition 4(d)(iv) (*Distributions—Distribution Deferral—Cumulative Deferral)* shall be complied with until all outstanding Arrears of Distribution have been paid in full.

(B) Each amount of Arrears of Distribution shall bear interest at the applicable Distribution Rate plus 0.5 per cent. per annum as if it constituted the principal of the Securities and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 (*Distributions*) and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4 (*Distributions*). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that such Additional Distribution Amount will itself become Arrears of Distribution.

(v) *Restrictions in the case of an Optional Deferral*: If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Condition 4(d)(i) (*Distributions—Distribution Deferral—Optional Deferral*), the Issuer shall not:

(A) declare, pay or make any dividends, distributions or other payments on, and will procure that no dividend, distribution or other payment is declared, paid or made on any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(B) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants,

in each case, unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.

(vi) *Satisfaction of Arrears of Distribution by payment*: The Issuer:

(A) may at its option satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice). Any partial payment of outstanding Arrears of Distribution by the Issuer shall be paid to the Holders of all outstanding Securities on a *pro-rata* basis; and

(B) in any event shall satisfy any outstanding Arrears of Distribution deferred in accordance with Condition 4(d)(i) (*Distributions—Distribution Deferral—Optional Deferral*) (in whole but not in part, and including any Additional Distribution Amount) on the earliest to occur of:

(1) the next Distribution Payment Date falling immediately after a breach of Condition 4(d)(v) (*Distributions—Distribution Deferral—Restrictions in the case of an Optional Deferral*);

(2) the date on which the Securities are redeemed at the option of the Issuer upon an Optional Redemption (as defined in Condition 5(b) (*Redemption and Purchase—Redemption at the option of the Issuer*));

(3) the date on which the Securities are redeemed at the option of the Issuer upon a Change of Control;

(4) the date on which the Securities are redeemed at the option of the Issuer in accordance with Condition 5(g) (Redemption *and Purchase—Redemption in the case of minimal outstanding amount*));

(5) the date of any substitution or variation in accordance with Condition 13 (*Substitution or Variation*);

(6) a Special Event Redemption Date (as defined in Condition 17 (*Definitions*)); and

(7) a Winding Up (as defined in Condition 17 (*Definitions*)) of the Issuer.

(vii) *No default*: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this Condition 4(d) (*Distributions—Distribution Deferral*) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer.

5. Redemption and Purchase

(a) *No fixed redemption date*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 (*Status and Subordination of the Securities*) and without prejudice to Condition 8 (*Non-payment*)) only have the right to redeem or purchase the Securities in accordance with the following provisions of this Condition 5 (*Redemption and Purchase*).

(b) *Redemption at the option of the Issuer*: The Securities may be redeemed at the option of the Issuer (an "**Optional Redemption**") in whole, but not in part only, on the First Reset Date or any Distribution Payment Date after the First Reset Date (each, a "**Call Settlement Date**") on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant Call Settlement Date) at the Redemption Amount.

(c) *Redemption for tax reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at the Redemption Amount, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) the Issuer has or will become obliged to pay material Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws (or regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation, or 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, judgement or order by a court of competent jurisdiction), which change or amendment becomes effective (or in the case of an official position, is announced) on or after May 31, 2017; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a "**Withholding Tax Event**") *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(c) (*Redemption and Purchase—Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate, signed by two duly authorised officers of the Issuer, stating that the circumstances referred to in (i) and (ii) of this Condition 5(c) (*Redemption and Purchase—Redemption for tax reasons*) prevail and setting out the details of such circumstances; and

(B) an opinion of independent legal advisers who is reasonably acceptable to the Trustee or an opinion of a tax consultant, in either case of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and shall be entitled to accept such certificate and opinion (without any further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) of this Condition 5(c) (*Redemption and Purchase—Redemption for tax reasons*) and they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 5(c) (*Redemption and Purchase—Redemption for tax reasons*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c) (*Redemption and Purchase—Redemption for tax reasons*).

For the purposes of this Condition 5(c) (*Redemption and Purchase—Redemption for tax reasons*), "material Additional Amounts" means Additional Amounts certified to the Trustee by two duly authorised officers of the Issuer as being, in the sole opinion of the Issuer, material.

(d) *Redemption upon a Capital Event*: The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their Early Redemption Price, if, immediately before giving such notice, the Issuer satisfies the Trustee that an amendment, clarification or change has occurred in the rules of S&P, Fitch or any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Securities than the equity credit assigned on the Issue Date (a "**Capital Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 5(d) (*Redemption and Purchase—Redemption upon a Capital Event*), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two duly authorised officers of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances.

The Trustee shall be entitled to accept and rely upon such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Trustee, the Agents and the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 5(d) (*Redemption and Purchase—Redemption upon a Capital Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(d) (*Redemption and Purchase—Redemption upon a Capital Event*).

(e) *Redemption upon an Accounting Event*: The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their Early Redemption Price if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any changes or amendments to HKFRS (as defined in Condition 17 (*Definitions*)) or any other accounting standards that may replace HKFRS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard (an "**Accounting Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 5(e) (*Redemption and Purchase—Redemption upon an Accounting Event*), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate, signed by two duly authorised officers of the Issuer, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(B) an opinion, in form and substance satisfactory to the Trustee, of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Trustee, the Agents and the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 5(e) (*Redemption and Purchase—Redemption upon an Accounting Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(e) (*Redemption and Purchase—Redemption upon an Accounting Event*) *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.

(f) *Redemption in the case of a Change of Control Triggering Event*: The Securities may be redeemed, in whole but not in part only, at the Issuer's option upon giving not less than 15 nor more than 30 days' notice to the Holders (which notice shall be irrevocable) at (1) their Special Redemption Price, if such redemption occurs before (but excluding) the First Reset Date or (2) if such redemption occurs on or after the First Reset Date, at their Redemption Amount, in the event that a Change of Control Triggering Event occurs.

Prior to the publication of any notice of redemption pursuant to this Condition 5(f) (*Redemption and Purchase—Redemption in the case of a Change of Control Triggering Event*), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two duly authorised officers of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances.

The Trustee shall and shall be entitled to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out above and it shall be conclusive and binding on the Trustee, the Agents and the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 5(f) (*Redemption and Purchase—Redemption in the case of a Change of Control Triggering Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(f) (*Redemption and Purchase—Redemption in the case of Change of Control Triggering Event*).

(g) *Redemption in the case of minimal outstanding amount*: The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at the Redemption Amount, if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 20% of the aggregate principal amount originally issued (including any further securities issued in accordance with Condition 14 (*Further Issues*)).

Upon expiry of any such notice period as is referred to in this Condition 5(g) (*Redemption and Purchase—Redemption in the case of minimal outstanding amount*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(g) (*Redemption and Purchase—Redemption in the case of minimal outstanding amount*).

(h) *No other redemption*: The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 5(b) (*Redemption and Purchase—Redemption at the option of the Issuer*) to 5(g) (*Redemption in the case of minimal outstanding amount*) (both inclusive) and Condition 8 (*Non-payment)*.

(i) *Purchase*: The Issuer and/or any of its Subsidiaries may before the First Reset Date, at any time purchase up to 25% of the aggregate principal amount of the Securities in the open market or otherwise and at any price. The Issuer and/or any of its Subsidiaries may following the First Reset Date (but not before), at any time purchase Securities, in whole or in part, in the open market or otherwise and at any price.

(j) *Cancellation*: All Securities redeemed or purchased by or on behalf of the Issuer and/or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

(k) Trustee disclaimer: The Trustee shall not be required to take any steps to ascertain whether any Withholding Tax Event, Capital Event, Accounting Event or Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so. Neither the Trustee nor the Agents shall be responsible for verifying or calculating any amounts under this Condition.

6. Payments

(a) *Principal*: Payments of principal shall be made in U.S. dollars upon application by a Holder of a Security to the specified office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by wire transfer of immediately available funds to a U.S. dollar account (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the specified office of any Paying Agent.

(b) *Distribution*: Payments of Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall be made in U.S. dollars upon application by a Holder of a Security to the specified office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by wire transfer of immediately available funds to a U.S. dollar account (in the case of Distribution payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the specified office of the Principal Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by wire transfer of immediately available funds to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the specified office of the Principal Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 6(d) (*Payments—Payments on business days*), "**business day**" means any day, other than a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City, Hong Kong and London and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If the Issuer makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date*: Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "**Record Date**").

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

7. Taxation

All payments of principal and Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer shall be made without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within the Cayman Islands, Hong Kong or the PRC (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 Issuer shall pay such additional amounts as will result in receipt by the Holders of such amounts after such withholding or deduction ("**Additional Amounts**") as will result in receipt by the Holder of each Security of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no such Additional Amounts shall be payable:

(a) for or an account of:

(1) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such 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;

(ii) the presentation of such Security (in cases in which presentation is required) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Security for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, addressed to the Holder, to provide information 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 is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(2) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge; or

(3) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (1) and (2); or

(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 or beneficial owner been the Holder thereof.

In these Conditions, "**Relevant Date**" means whichever is the later of the date on which the payment of the principal of, Distribution, if any, and interest on, such Security became due and payable pursuant to the terms thereof or was made or duly provided for.

Any reference in these Conditions to principal, Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any Additional Amounts in respect of principal, Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

For the avoidance of doubt, the obligation of the Issuer to pay Additional Amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Securities.

If the Issuer becomes subject at any time to any taxing jurisdiction other than a Relevant Jurisdiction, references in these Conditions to such Relevant Jurisdiction shall be construed as references to the Relevant Jurisdiction and such other jurisdiction or, as the case may be, such other jurisdiction only.

8. Non-payment

(a) *Limited rights to institute proceedings*: Notwithstanding any of the provisions below in this Condition 8 (*Non-payment*), the right to institute Winding-Up (as defined in Condition 17 *(Definitions*)) proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(d) (*Distribution—Distribution Deferral*). In addition, nothing in this Condition 8 (*Non-payment*), including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee to otherwise take any action against the Issuer, in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

(b) *Proceedings for Winding-Up*: Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or (ii) the Issuer failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 8(d) (*Non-payment—Entitlement of Trustee*), institute proceedings for the Winding-Up of the Issuer and/or prove and/or claim in the Winding-Up of the Issuer for the principal amount of the Securities (or the Make Whole Amount, if applicable) together with Distributions, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up.

(c) *Enforcement*: Without prejudice to Condition 8(b) (*Non-payment—Proceedings for Winding-Up*) but subject to the provisions of Condition 8(d) (*Non-payment—Entitlement of Trustee*), the Trustee may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations), *provided that* in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) *Entitlement of Trustee*: The Trustee at its sole and absolute discretion may and, if so requested in writing by Holders of at least 25% in aggregate principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution, shall take any of the actions referred to in Condition 8(b) (*Non-payment—Proceedings for Winding-Up*) or Condition 8(c) (*Non-Payment—Enforcement*) against the Issuer to enforce the terms of the Trust Deed or the Securities subject in any such case to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) *Right of Holders*: No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up of the Issuer or to prove or claim in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove or claim in such Winding-Up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 8 (*Non-payment*).

(f) *Extent of Holders' remedy*: No remedy against the Issuer, other than as referred to in this Condition 8 (*Non-payment*), shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities under the Trust Deed.

9. Prescription

Claims against the Issuer for payment in respect of the Securities shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of Distributions) from the appropriate Relevant Date in respect of them.

10. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Holders as a class and will not be responsible for any consequence for individual Holders of Securities as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain principal paying agent and a registrar.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the Holders (in accordance with Condition 15 (*Notices*)).

12. Meetings of Holders; Modification and Waiver

(a) *Meetings of Holders*: The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, and shall be convened by the Trustee upon the request in writing of Holders holding not less than 10% of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than 50% of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, two or more persons being or representing a Holder or Holders whatever the principal amount of the Securities held or represented; *provided*, *however*, *that* certain proposals (including any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities, to amend the subordination provisions in the Trust Deed, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than 66 2⁄3% or, at any adjourned meeting, 25% of the aggregate principal amount of the outstanding Securities shall form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

Any duty derived from any principle of law or equity that would otherwise have the effect of requiring the Holders of the Securities to exercise their powers to vote for or against an Extraordinary Resolution or any other resolution contemplated by the Trust Deed or these Conditions, for the benefit or in the interests of any group or class of Holders as a whole and not merely individual Holders, is excluded to the fullest extent permitted by law.

In addition, a resolution in writing signed by or on behalf of Holders of not less than 90% of the aggregate principal amount of Securities for the time being outstanding and who are entitled to receive notice of a meeting of the Holders of the Securities pursuant to the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) *Modification and waiver*: The Trustee may, without the consent of the Holders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of Holders and to any modification of the Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

Any such authorization, waiver or modification shall be notified by the Issuer to the Holders (in accordance with Condition 15 (*Notices*)) as soon as practicable thereafter.

13. Substitution or Variation

If a Special Event (as defined in Condition 17 (*Definitions*)) has occurred and is continuing, then the Issuer may, subject to Condition 4 (*Distributions*) (without any requirement for the consent or approval of the Holders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 13 (*Substitution or Variation*) have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and, notwithstanding any provision contrary in the Trust Deed, the Trustee shall (subject to the following provisions of this Condition 13 (*Substitution or Variation*) and subject to the receipt by it of the certificate of two duly authorised officers of the Issuer referred to herein) agree to such substitution or variation without any need for the consent or sanction of the Holders of the Securities.

Upon expiry of such notice period, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 13 (*Substitution or Variation*), as the case may be.

In connection with any such substitution or variation, any outstanding Arrears of Distribution (including any Additional Distribution Amount) will be satisfied in full in accordance with the provisions of Condition 4(b) (*Distributions—Distribution Deferral*).

The Trustee shall, subject to being indemnified, secured and/or pre-funded to its satisfaction, use all commercially reasonable endeavours to assist the Issuer in the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as appropriate, become, Qualifying Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, obligations upon it which are more onerous than the obligations set out in the Trust Deed. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Securities as provided in Condition 5 (*Redemption and Purchase*).

In connection with any substitution or variation in accordance with this Condition 13, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would (i) directly give rise to a further Special Event or (ii) result in the same Special Event continuing to subsist with respect to the Securities or the Qualifying Securities.

14. Further Issues

The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first Distribution Payment Date) so as to form a single series with the Securities.

15. Notices

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Securities are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions and such notice shall be deemed to be received by Holders on the date of delivery of such notice to Euroclear or Clearsteam or any other clearing system.

16. Governing Law and Jurisdiction

(a) *Governing law*: The Securities and the Trust Deed and any non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by, and shall be construed in accordance with, Hong Kong law, except that the subordination provisions applicable to the Issuer set out in Condition 2 (*Status and Subordination of the Securities*) and Clauses 7.3 and 7.3 of the Trust Deed shall be governed by, and construed in accordance with, Cayman Islands law.

(b) *Jurisdiction:* The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Securities and accordingly any legal action or proceedings arising out of or in connection with the Securities ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

17. Definitions

For the purposes of these Conditions:

"**Additional Step-Up Margin**" means 0.75 per cent.

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any Person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in Hong Kong, London and New York City.

"**Calculation Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City, London and Hong Kong.

"**Calculation Date**" means, for the purpose of calculating:

(a) the Reset Distribution Rate, the commencement date of the relevant Reset Distribution Period; and

(b) any applicable Make Whole Amount, the applicable date fixed for redemption under Condition 5(d) *(Redemption and Purchase—Redemption upon a Capital Event) or* Condition 5(e) *(Redemption and Purchase—Redemption upon an Accounting Event).*

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

A “**Change of Control**” means the occurrence of one or more of the following events:

(a) the merger, amalgamation or consolidation of the Issuer 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 Issuer, or the sale of all or substantially all the assets of the Issuer to another Person (other than one or more Permitted Holders);

(b) the Permitted Holders being the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Issuer;

(c) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the United States Securities Exchange Act of 1934 (the “**Exchange Act**”)) being or becoming the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Issuer greater than such total voting power held beneficially by the Permitted Holders; or

(d) individuals who on the Issue Date constituted the board of directors of the Issuer, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors ow whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Issuer then in office.

“**Change of Control Triggering Event**” means the occurrence of both a Change of Control and, provided that the Securities are rated by at least one Rating Agency, a Rating Decline.

“**Comparable Treasury Issue**” means:

(a) in relation to calculating the Reset Distribution Rate, the U.S. Treasury security selected by the Independent Investment Bank as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practise, in pricing new issues of corporate debt securities with a maturity of five years; and

(b) in relation to calculating a Make Whole Amount, the U.S. Treasury security selected by the Independent Investment Bank as having a maturity comparable to the Remaining Life that would be utilised, at the time of selection and in accordance with customary financial practise, in pricing new issues of corporate debt securities of a maturity most closely corresponding to the Remaining Life.

“**Comparable Treasury Price**” means, with respect to any Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date.

“**Early Redemption Price**” means, in relation to a redemption pursuant to any of Conditions 5(d) (*Redemption and Purchase—Redemption upon a Capital Event*) and 5(e) (*Redemption and Purchase—Redemption upon an Accounting Event*), either:

(a) if the redemption date falls prior to the First Reset Date, the greater of:

(i) 101% of the principal amount of the Securities, together with any Distributions accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount); and

(ii) the Make Whole Amount, together with any Distributions accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount); or

(b) if the redemption date falls on or after the First Reset Date, the principal amount of the Securities, together with any Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

"**Fitch**" means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation, and its successors.

"**First Reset Distribution Rate**" means the Treasury Rate as at the First Reset Date plus the Initial Spread per annum plus the Step-Up Margin per annum.

"**HKFRS**" means Hong Kong Financial Reporting Standards, as amended from time to time.

"**Independent Investment Bank**" means an independent investment bank of international repute, appointed by the Issuer (and notice thereof is given to Holders by the Issuer in accordance with Condition 15 (*Notices*)) and notified to the Trustee for the purposes of performing any of the functions expressed to be performed by it under these Conditions.

"**Initial Distribution Rate**" means 7.0 per cent. per annum.

"**Initial Spread**" means 5.75 per cent.

"**Investment Grade**" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "—" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for Fitch.

"**Junior Obligations**" means the ordinary shares of the Issuer or any other securities ranking *pari passu* therewith in respect of which all payments of dividends and distributions are discretionary and to Condition 4(d)(v)(B) (*Distributions—Distribution Deferral—Restrictions in the case of an Optional Deferral*) in which case Junior Obligations means any class of the Issuer's share capital).

"**Make Whole Amount**" means, with respect to any redemption date pursuant to a redemption in accordance with Conditions 5(d) (*Redemption and Purchase—Redemption upon a Capital Event*) or 5(e) (*Redemption and Purchase—Redemption upon an Accounting Event*), the amount, as determined by the Independent Investment Bank, equal to the sum of: (a) the present value of the principal amount of the Securities to be redeemed discounted to the date fixed for redemption from the next Reset Date on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Treasury Rate plus 1.50 per cent. per annum; and (b) the present value of all Distributions payable (or but for any deferral would be payable) on a Distribution Payment Date after such redemption date (exclusive of Distributions accrued to the redemption date) to, and including, the next Reset Date, discounted to the date fixed for redemption from each of the Distribution Payment Dates on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Treasury Rate plus 1.50 per cent. per annum.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Parity Obligations**" means any present and future instrument or security (including without limitation any preference share) issued, entered into or guaranteed by the Issuer (i) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities and (ii) the terms of which provide that the making of payments thereon and distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof.

"**Permitted Holders**" means any or all of the following:

(a) (x) Mr. Kei Hoi Pang (previously known as Mr. Ji Haipeng), Ms. Kei Perenna Hoi Ting (previously known as Ms. Ji Peili) and the parents, children and spouse of Mr. Kei Hoi Pang, (y) Kei Family United Limited and (z) any family trust set up by an Person listed in sub-clause (x) of this clause (a);

(b) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (a); and

(c) 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% by one or more Persons specified in clauses (a) and (b).

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"**PRC**" means the People's Republic of China (excluding, for these purposes, Hong Kong, Macau and Taiwan).

"**Qualifying Securities**" means securities that:

(a) have terms not materially less favourable to an investor than the terms of the Securities (as reasonably determined by the Issuer, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of two duly authorised officers of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities upon which certificate the Trustee shall and shall be entitled to rely absolutely (without further investigation or enquiry)), *provided that*:

(i) they are issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer having the benefit of a guarantee of the Issuer; and

(ii) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up of the issuer or guarantor thereof, shall preserve the Holders' rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant securities, and shall contain terms which provide for the same Distribution Rate, Distribution Payment Dates and redemption events, from time to time applying to the Securities; and other terms of such securities are substantially identical (as reasonably determined by the Issuer) to the Securities, save for the modifications or amendments to such terms that are specifically required to be made in order to avoid or resolve an Accounting Event, a Capital Event or, as the case may be, a Withholding Tax Event;

(b) have been, or will on issue be, assigned at least the same corporate credit rating as that assigned by the Rating Agencies to the Securities immediately prior to such substitution or variation; and

(c) are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

"**Rating Agencies**" means (1) Fitch, and (2) if Fitch shall not make a rating of the Securities publicly available, either Moody's or S&P selected by the Issuer, which shall be substituted for Fitch.

"**Rating Category**" means (1) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (2) the equivalent of any such category of Fitch used by another Rating Agency. In determining whether the rating of the Securities has decreased by one or more gradations, gradations within Rating Categories ("+" and "–" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch, a decline in a rating from "BB+" to "BB," as well as from "B-" to "B+," will constitute a decrease of one gradation).

"**Rating Date**" means 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 Issuer or any other Person or Persons to effect a Change of Control.

"**Rating Decline**" means 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 Issuer or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Issuer is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(a) in the event the Securities are rated by Fitch on the Rating Date as Investment Grade, the rating of the Securities by Fitch shall be below Investment Grade; or

(b) in the event the Securities are rated below Investment Grade by the Rating Agency on the Rating Date, the rating of the Securities by the Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"**Redemption Amount**" means the principal amount of the Securities, together with Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

"**Reference Treasury Dealer**" means each of the three nationally recognised investment banking firms selected by the Independent Investment Bank, in consultation with the Issuer, that are primary U.S. Government securities dealers.

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and any Calculation Date, the average, as determined by the Independent Investment Bank, 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 Independent Investment Bank by such Reference Treasury Dealer at 5.00 p.m., New York City time, on the third Business Day immediately preceding such Calculation Date.

"**Remaining Life**" means the remaining term of the Securities from the applicable redemption date to the next Reset Date after such redemption date.

"**Reset Date**" means each of the First Reset Date, and each of the days falling every five calendar years after the First Reset Date.

"**Reset Distribution Period**" means the period beginning on and including the First Reset Date and ending on but excluding the next following Reset Date, and each successive period beginning on and including a Reset Date and ending on but excluding the next succeeding Reset Date.

"**Reset Distribution Rate**" means the First Reset Distribution Rate or, as the case may be, the Second Reset Distribution Rate.

"**S & P**" means Standard & Poor's Ratings Services and its affiliates.

"**Second Reset Distribution Rate**" means the Treasury Rate as at the relevant Reset Date plus the Initial Spread plus the Step-Up Margin per annum plus the Additional Step-Up Margin per annum.

"**Special Event**" means a Withholding Tax Event, a Capital Event, an Accounting Event, or any combination of the foregoing.

"**Special Event Redemption**" means a redemption in respect of: (i) a Withholding Tax Event (as defined in Condition 5(c) (*Redemption and Purchase—Redemption for tax reasons*)), or (ii) a Capital Event (as defined in Condition 5(d) (*Redemption and Purchase—Redemption upon a Capital Event*)), or (iii) an Accounting Event (as defined in Condition 5(e) (*Redemption and Purchase—Redemption upon an Accounting Event*)), or (iv) redemption in the case of minimal amount outstanding (as described in Condition 5(g) (*Redemption and Purchase—Redemption in the case of minimal amount outstanding*)).

"**Special Event Redemption Date**" means the date on which the Securities are redeemed in a Special Event Redemption.

"**Special Redemption Price**" means 101% of the principal amount thereof together with any Distributions accrued to (but excluding) the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amounts).

"**Step-Up Margin**" means 0.25 per cent.

"**Subsidiary**" or "**Subsidiaries**" of any Person means (a) any corporation, association or other business entity of which more than 50% of the total 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 (b) 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.

"**Treasury Rate**" means the rate in percentage per annum notified by the Independent Investment Bank to the Issuer and the Holders (in accordance with Condition 15 (*Notices*)) equal to the yield, under the heading that represents the average for the week immediately prior to the relevant Calculation Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue (in the case of calculating a Make Whole Amount, if there is no Comparable Treasury Issue with a maturity within three months before or after the next Reset Date after such redemption date, yields for the two published maturities most closely corresponding to such Reset Date will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month). If such release (or any successor release) is not published during the week preceding the Calculation Date or does not contain such yields, "Treasury Rate" means the rate in percentage rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date. The Treasury Rate will be calculated on the Calculation Business Day preceding the relevant Calculation Date.

"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.

"**Winding-Up**" means the order by a court of competent jurisdiction for the bankruptcy, winding-up, liquidation or similar procedure in respect of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation (x) the terms of which reorganisation, reconstruction, merger or amalgamation have previously been approved by an Extraordinary Resolution (as defined in the Trust Deed) and (y) which does not result in the Securities thereby becoming redeemable or repayable in accordance with these Conditions).

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences relating to the Securities is based upon applicable laws, regulations, rulings and decisions as of the date of this information memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities 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 Securities should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Securities, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (a) on or in respect of the shares, debentures or other obligations of the Company; or

  (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from June 1, 2010. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company or investors holding the Securities only by reason of holding such Securities levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

HONG KONG

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Securities) or distributions in respect of the Securities.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Securities where such sale, disposition or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Distributions on the Securities will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arise through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest payment is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Securities where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Securities is maintained outside Hong Kong).

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Securities is based upon applicable laws, rules and regulations in effect as of the date of this information memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities 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 Securities should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Securities, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest

The CIT Law issued on March 16, which was amended on February 24, 2017 and became effective on February 24, 2017, and its implementation rules, effective January 1, 2008, imposes a withholding tax at the rate of 10% on interest from PRC sources paid to a holder of securities that is a "non-resident enterprise" if such "non-resident enterprise" holder does not have an establishment or place of business in China or if, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China unless a preferential rate is provided by tax treaties or arrangements between the country or region where the non-resident is domiciled and the PRC. We may be considered a PRC tax resident enterprise. "Risk Factors — Risks relating to Our Business — We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and result in PRC withholding taxes on Distributions we pay on the Securities and PRC tax on the transfer of the Securities." Although the issue is not entirely clear, if we are considered a PRC resident enterprise, Distributions paid to non-resident holders on the Securities may be treated as income derived from sources within China and be subject to PRC withholding tax at the rate of 10% in the case of non-resident enterprise holders of the Securities pursuant to the CIT Law (which tax rate may be reduced to 7% in the case of non-resident enterprise holders located in Hong Kong who qualify for the benefits of the double taxation treaty between Hong

Kong and the PRC), or PRC individual withholding tax at the rate of 20% in the case of non-resident individual holders of the Securities pursuant to PRC individual income tax laws and their implementation rules. However, the tax obligations under PRC tax laws and their implementation rules may be decreased or exempted by applicable tax treaties. We currently do not intend to withhold taxes from interest payments, but there can be no assurance that the PRC income tax authorities will accept our position on this issue. To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified investors in the Securities.

Taxation on Capital Gains

The CIT Law and its implementation rules imposes a tax at the rate of 10% on capital gains from PRC sources realised by holders of securities that are "non-resident enterprises" if any such "non-resident enterprise" holder does not have an establishment or place of business in China or if, despite the existence of an establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China. We may be considered a PRC tax resident enterprise. Although the issue is not entirely clear, if we are considered a PRC resident enterprise, the capital gains realised by non-resident holders of the Securities may be treated as income derived from sources within China and be subject to PRC withholding tax at the rate of 10% in the case of non-resident enterprise holders of the Securities pursuant to the CIT Law unless reduced or exempted by an applicable tax treaty, or PRC individual income tax at the rate of 20% in the case of non-resident individual holders of the Securities pursuant to PRC individual income tax laws and their implementation rules, which may be reduced or exempted by an applicable tax treaty. To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Securities.

VAT

On March 23, 2016 the MOF and the SAT issued Circular 36 which stipulates that the business tax will be completely replaced with VAT from May 1, 2016 onwards. Therefore, income derived from the provision of financial services, which previously incurred business tax, will now be subject to VAT.

According to Circular 36, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services potentially subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Securities may be treated as the holders of the Securities providing financial services in the form of loans to the Company for VAT purposes. In the event the Company is deemed to be a PRC resident enterprise by the PRC tax authorities, the holders of the Securities may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Company to any non-resident holders of the Securities may subject to withholding VAT at the rate of 6% plus related surcharges.

Circular 36 has recently been issued and much uncertainty remains as to its application. The above statements regarding Circular 36 may be subject to further changes following clarification from the competent tax authority.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer of Securities (for so long as the register of holders of the Securities is maintained outside China and the sale of the Securities is made outside the PRC).

SUBSCRIPTIONS AND SALE

The Issuer and the purchaser have entered into a subscription agreement with respect to US$350,000,000 in the aggregate principal amount of the Securities. The Securities 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.''

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 Securities.

The Securities are subject to restrictions on transfer as summarised below. By purchasing the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us:

1. You understand and acknowledge that:

   - the Securities have not been registered under the Securities Act or any other applicable securities laws;

   - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

   - the Securities are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and

   - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor any person representing us have made any representation to you with respect to us or the offering of the Securities, other than the information contained in this information memorandum. You represent that you are relying only on this information memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.

5. You acknowledge and agree that if you decide to resell, pledge or otherwise transfer any Securities or any beneficial interests in any Securities during the period from the closing date until the date that is 40 days after the later of the closing date and the last date that the Company or any of their respective affiliates was the owner of the Securities or any predecessor of the Securities, such Securities may be resold, pledged, or transferred only, (a) to the Company or any subsidiary thereof, (b) in an offshore transaction outside of the United States meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act, (c) pursuant to an effective registration statement under the Securities Act or (d) pursuant to any available exemption from the registration requirements under the Securities Act (provided that as a condition to the registration of transfer of any Securities under this clause (d) the Company, the Trustee, the Paying Agent, Transfer Agent or the Registrar may, in circumstances that any of them deems appropriate, require evidence as to compliance with any such exemption), and in each of such cases, in accordance with any applicable securities laws of any state of the United States and any other jurisdiction.

6. You agree to, and each subsequent holder is required to, notify any purchaser of the Securities from it of the resale restrictions referred to in clause 5 above, if then applicable.

7. You acknowledge that Securities will contain a legend substantially to the following effect:

   THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THE SECURITIES NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THE SECURITIES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

   THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, FOR A PERIOD OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OR THE ORIGINAL ISSUE DATE HEREOF (THE "RESALE RESTRICTION PERIOD"), ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) OUTSIDE THE UNITED STATES IN A TRANSACTION COMPLYING WITH THE PROVISIONS OF RULE 904 UNDER THE SECURITIES ACT, (C) PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (C) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT FOR A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

8. You acknowledge that we, the Trustee, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us, the Trustee and the Transfer Agent. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

9. You also acknowledge that this information memorandum has not been and will not be registered as a prospectus with the MAS under the SFA. Accordingly, you have represented, warranted and agreed that you have not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities 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 information memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

RATINGS

The Securities are expected to be rated "B" by Fitch. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the Distributions on the Securities. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Securities 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 Securities, on other securities of ours, or on us. Additionally, we have been assigned a corporate family rating of "Ba3" with a stable outlook by Moody's Investors Service and a long-term foreign currency issuer default rating of "BB-" with a stable outlook by Fitch. We cannot assure you that the ratings on the Securities or our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgement circumstances so warrant.

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands and Hong Kong in connection with the issue and performance of the Securities. The entering into of the Trust Deed and the issue of the Securities have been authorised by a resolution of our board of directors dated May 24, 2017.

LITIGATION

Except as disclosed in this information memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Securities.

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this information memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2016 that is material in the context of the issue of the Securities.

DOCUMENTS AVAILABLE

For so long as any of the Securities are outstanding, copies of the Trust Deed may be inspected by holders of the Securities upon satisfactory proof of holding free of charge during normal business hours on any Business Day (except public holidays) at the corporate trust office of the Trustee.

CLEARING SYSTEMS

The Securities have been accepted for clearance through Euroclear and Clearstream. The Common Code for the Securities is 161983829. The ISIN for the Securities is XS1619838292.

LISTING OF THE SECURITIES

Application will be made to the SGX-ST for the listing and quotation of the Securities on the SGX-ST. Approval in-principle from, admission to the Official List of, and listing and quotation of the Securities on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company or any of its associated companies (if any) or the Securities. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies).

For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for individual certificates, we will appoint and maintain a paying agent in Singapore, where the individual certificates may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for individual certificates, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the individual certificates, including details of the paying agent in Singapore.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements as of and for the year ended December 31, 2016

Note:

(1) Our consolidated annual financial statements as of and for the years ended December 31, 2015 and 2016 set forth herein have been produced from our annual report for the twelve months ended December 31, 2016 and page references are references to pages set forth in such annual report.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of Logan Property Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Logan Property Holdings Company Limited and its subsidiaries ("the Group") set out on pages 80 to 199, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

(a) As disclosed in note 14, certain joint ventures (50:50) incurred payments to third parties to fund the costs for the acquisition of certain urbanization projects. These payments of approximately RMB900 million have been included in receivables as at 31 December 2016. However, we have been unable to obtain sufficient audit evidence to ascertain the nature of these payments, and thus we cannot satisfy ourselves as to the appropriateness of accounting for these payments as receivables as at 31 December 2016.

(b) The Group has disclosed in note 12 to the consolidated financial statements that it has entered into capital contribution agreements with Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd. ("Pingan Dahua") in 2015 and 2016, pursuant to which Pingan Dahua has made capital contributions to two subsidiaries of the Group (Shenzhen Logan Junjing Real Estate Development Co., Ltd. (深圳市龍光駿景房地產開發有限公司) ("Shenzhen Logan Junjing") and Huizhou Daya Bay Dongzhen Property Co., Ltd. (惠州大亞灣東圳房地產有限公司) ("Huizhou Dongzhen"). As at 31 December 2016, Pingan Dahua contributed a total of RMB4,800,000,000 and RMB3,960,000,000 to Shenzhen Logan Junjing and Huizhou Dongzhen respectively (2015: RMB2,800,000,000 and Nil, respectively). As also disclosed in note 12 and note 32, in 2016 Pingan Dahua received RMB2,086,288,000 from the Group on the repurchase of Pingan Dahua's 49% interest in the Group's subsidiary, Shenzhen Jinjun Property Co. Ltd. (深圳市金駿房地產有限公司) ("Shenzhen Jinjun").

Independent Auditor's Report

These transactions have been accounted for as equity transactions whereby adjustments have been made to the amount of other reserves within controlling shareholders' interests and non-controlling interests in the Group's consolidated financial statements as at 31 December 2016 and 2015.

During our audit of the consolidated financial statements of the Group as at 31 December 2016 it came to our attention that certain agreements, namely Supplementary Agreement of Cooperation Framework and the Equity Forward Repurchase Agreement, specified certain payments obligations by Shenzhen Logan Junjing and Huizhou Dongzhen to Pingan Dahua in connection with the above capital contributions.

As disclosed in note 12, management of the Group believes that notwithstanding these terms, the transactions can be accounted for as equity transactions. In our opinion, as the agreements contain obligations for the Group to re-purchase its own equity instruments in certain circumstances, accounting for these transactions entirely as equity transactions is not in accordance with the requirements of Hong Kong Accounting Standard 32 *Financial Instruments: Presentation*. As of the date of this report we have been unable to quantify the financial effect of this departure as we have been unable to satisfy ourselves that we have a full understanding of the rights and obligations of both sides to the agreements and any other similar transactions accounted for as equity transactions in the Group's consolidated financial statements as at 31 December 2016 and 2015. Any adjustments to these amounts would affect the amount of liabilities and net assets reported by the Group as at those dates and may affect the profit recognised for the years then ended.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition on the sale of properties

Refer to note 4 to the consolidated financial statements and the accounting policies on page 104.

The Key Audit Matter	How the matter was addressed in our audit
The Group is an integrated property developer in Mainland China focusing on residential property development. Recorded revenue from the sale of properties for the year ended 31 December 2016 totalled RMB20,245 million. Revenue from the sale of properties is recognised when the properties are completed and the buyers have accepted the properties and obtained physical possession of the properties. Deposits and instalments received in respect of pre-sales of properties prior to the date of revenue recognition are included in the statement of financial position as receipts in advance. We identified revenue recognition on the sale of properties as a key audit matter because revenue is one of the key performance indicators of the Group and because of its significance to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess the recognition of revenue on the sale of properties included the following: • assessing the design, implementation and operating effectiveness of relevant key internal controls which govern the recognition of revenue on the sale of properties; • comparing the average selling prices and relevant gross floor area data of all properties sold during the current year with comparable transactions completed in the prior year and current market available data; • selecting a sample of property sale transactions from the total property sales recorded for the year (with a particular emphasis on property sales close to the financial reporting date) and inspecting the underlying documentation in respect of the related revenue, which included sales contracts, documentation confirming legal completion and evidence of physical handover of the properties to the buyers, to assess whether revenue had been properly recognised in the appropriate accounting period; • scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or met other specific risked-based criteria; • performing site visits to verify the completion status of development projects, on a sample basis.

VALUATION OF INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

Refer to note 11 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter	How the matter was addressed in our audit
The Group holds a portfolio of investment properties and investment properties under development, comprising office buildings and shopping malls, located principally in the cities of Shenzhen, Guangzhou and Huizhou in Southern China. As at 31 December 2016, investment properties and investment properties under development, with a fair value of RMB11,891 million, in aggregate, accounted for 13.75% of the Group's total assets at that date. The changes in fair value of investment properties and investment properties under development recorded in the consolidated statement of profit or loss represented 33.81% of the Group's profit before taxation for the year ended 31 December 2016. The fair values of the investment properties and investment properties under development as at 31 December 2016 were assessed by the directors based on independent valuations prepared by qualified external property valuers.	Our audit procedures to assess the valuation of investment properties and investment properties under development included the following: • obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties and investment properties under development was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; • with the assistance of our internal property valuation specialists, discussing with both management and the external property valuers the valuation methodology applied and the key estimates and assumptions adopted in the valuations;

VALUATION OF INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT (CONTINUED)

Refer to note 11 to the consolidated financial statements and the accounting policies on page 92. (Continued)

The Key Audit Matter	How the matter was addressed in our audit
In determining the fair values, the valuers applied a method of valuation which necessitates making certain estimates, which include determining capitalisation rates, prevailing market rents and comparable market transactions. We identified the valuation of investment properties and investment properties under development as a key audit matter because their valuation involves significant judgement and estimation and because a small change in the key estimates and assumptions applied by the valuers could have a significant impact on the valuations and the consolidated financial statements.	• challenging the key estimates and assumptions adopted in the valuations, including the capitalisation rates, prevailing market rents and comparable market transactions by comparing the key estimates and assumptions with those made in prior years and current market available data and/or government produced market statistics, on a sample basis; • comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis; • conducting site visits to investment properties under development, on a sample basis, to observe the development progress and comparing the observed development progress with the Group's records; • challenging management's development budgets reflected in the latest forecasts with reference to market data and statistics for estimated construction costs, signed construction contracts and/or unit construction costs for recently completed projects developed by the Group.

Independent Auditor's Report

Assessing the classification of interests in joint ventures and an associate and recoverability of receivables from these investees

Refer to notes 13 and 14 to the consolidated financial statements and the accounting policies on page 91–92.

The Key Audit Matter	How the matter was addressed in our audit
The Group entered into certain arrangements with third parties to set up an associate and ten joint ventures to develop properties in 2016. The carrying amount of the Group's investments in the joint ventures and the associate as at 31 December 2016 totalled RMB64 million in aggregate and gross receivables due from these joint ventures and the associate as at 31 December 2016 totalled RMB15,340 million in aggregate. Included in these amounts is approximately RMB900 million in respect of which our opinion is qualified as described in the Basis for qualified opinion section of this report. We identified assessing the classification of interests in joint ventures and an associate and the recoverability of receivables from these investees as a key audit matter because: • significant management judgement is involved in interpreting the complex contractual terms and determining the appropriate accounting treatment for each investment;	Our audit procedures to assess the classification of interests in joint ventures and an associate and the recoverability of receivables from these investees included the following: • discussing with management all new investments to gain an understanding of the purpose and background of each investment; • inspecting investment contracts, articles of association and relevant legal documents and assessing the business substance of each investment to determine the key terms which may affect the accounting therefor and assessing whether the accounting treatment adopted by the Group for these new investments was consistent with the requirements of the prevailing accounting standards; • obtaining confirmations from banks and third parties of certain cash at bank balances, loans and receivables and payables of the investees;

ASSESSING THE CLASSIFICATION OF INTERESTS IN JOINT VENTURES AND AN ASSOCIATE AND RECOVERABILITY OF RECEIVABLES FROM THESE INVESTEES (CONTINUED)

Refer to notes 13 and 14 to the consolidated financial statements and the accounting policies on page 91–92. (Continued)

The Key Audit Matter	How the matter was addressed in our audit
• the risk of inappropriate classification of interests in joint ventures and an associate, either on acquisition or in subsequent reporting periods, could have a material effect on the consolidated financial statements; • the amount of receivables from these investees as at 31 December 2016 is significant to the consolidated financial statements; and • significant management judgement is required to assess the recoverability of the receivables because the profitability of the proposed property development projects of these investees, which may take a number of years to complete, is inherently uncertain and can be influenced by broader political and economic factors.	• inspecting relevant underlying documentation in respect of significant payments made by the investees to third parties during the current year; • inspecting the certificates of land use rights obtained by the investees in respect of their proposed property development projects; • challenging management's assessment of the profitability of the proposed property developments for the investees, in particular the key estimates and assumptions adopted in the valuation of land use rights obtained and estimated future sales prices, by comparison with current market available data and/or government produced market statistics; • challenging the development budgets reflected in the latest forecasts for the proposed property development projects with reference to market data and statistics for estimated construction costs, signed construction contracts and/or unit construction costs for recently completed projects developed by the Group.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Management Discussion and Analysis prior to the date of this auditor's report and expect the remaining other information to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of the directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chiu Mun Wai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	**20,538,838**	14,574,010
Cost of sales		**(13,979,010)**	(10,143,907)
Gross profit		**6,559,828**	4,430,103
Other revenue	5(a)	**423,523**	134,635
Other expenses	5(b)	**(196,327)**	(144,029)
Selling and marketing expenses		**(714,249)**	(573,138)
Administrative expenses		**(556,700)**	(587,839)
Net increase in fair value of investment properties	11	**2,681,903**	943,057
Net increase in fair value of derivative financial instruments	22	**81,720**	6,936
Share of profit of an associate	13	**31,723**	–
Share of losses of joint ventures	14	**(6,137)**	–
Profit from operations		**8,305,284**	4,209,725
Finance costs	6(a)	**(371,850)**	(36,215)
Profit before taxation	6	**7,933,434**	4,173,510
Income tax	7	**(2,733,551)**	(1,485,692)
Profit for the year		**5,199,883**	2,687,818
Attributable to:			
Equity shareholders of the Company		**4,487,736**	2,649,279
Non-controlling interests		**712,147**	38,539
Profit for the year		**5,199,883**	2,687,818
Earnings per share (RMB cents)	10		
– Basic		**81.06**	52.41
– Diluted		**80.82**	52.32

The notes on pages 88 to 199 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 24(b)(i).

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

(Expressed in Renminbi)

	2016 RMB'000	2015 RMB'000
Profit for the year	**5,199,883**	2,687,818
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be classified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas entities	**(75,234)**	(94,268)
Total comprehensive income for the year	**5,124,649**	2,593,550
Attributable to:		
Equity shareholders of the Company	**4,412,502**	2,555,011
Non-controlling interests	**712,147**	38,539
Total comprehensive income for the year	**5,124,649**	2,593,550

There is no tax effect relating to the above component of other comprehensive income.

The notes on pages 88 to 199 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2016

(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment properties	11	11,890,879	6,117,500
Other property, plant and equipment	11	184,317	165,622
		12,075,196	6,283,122
Deferred tax assets	7(c)	273,500	385,210
Interest in an associate	13	3,019,480	–
Interests in joint ventures	14	12,384,833	–
Restricted and pledged deposits	18	227,304	343,065
		27,980,313	7,011,397
Current assets			
Inventories	15	40,197,099	28,198,344
Trade and other receivables and prepayments	16	2,943,357	10,025,722
Tax recoverable	7(c)	810,941	402,045
Assets under cross-border guarantee arrangements	17	–	286,600
Restricted and pledged deposits	18	1,010,172	2,212,300
Cash and cash equivalents	19	13,559,827	8,635,258
		58,521,396	49,760,269
Current liabilities			
Trade and other payables	20	23,919,327	16,969,129
Liabilities under cross-border guarantee arrangements	17	–	286,600
Bank and other loans	21	3,370,501	4,044,885
Senior Notes	22	1,747,637	–
Tax payable	7(c)	2,017,405	1,320,647
		31,054,870	22,621,261
Net current assets		27,466,526	27,139,008
Total assets less current liabilities		55,446,839	34,150,405

Consolidated Statement of Financial Position

At 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank and other loans	21	11,707,510	7,117,037
Corporate bonds	21	12,400,000	5,000,000
Senior notes	22	3,960,889	3,588,720
Deferred tax liabilities	7(c)	1,627,094	983,731
		29,695,493	16,689,488
NET ASSETS		25,751,346	17,460,917
CAPITAL AND RESERVES			
Share capital	24(c)	434,591	439,821
Reserves		18,992,258	13,108,958
Total equity attributable to equity shareholders of the Company		19,426,849	13,548,779
Non-controlling interests		6,324,497	3,912,138
TOTAL EQUITY		25,751,346	17,460,917

Approved and authorised for issue by the board of directors on 30 March 2017.

Lai Zhuobin
Director

Xiao Xu
Director

The notes on pages 88 to 199 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital (note 24(c)) RMB'000	Share premium (note 24(d)(i)) RMB'000	Share-based compensation reserve (note 24(d)(v)) RMB'000	Exchange reserve (note 24(d)(ii)) RMB'000	PRC statutory reserves (note 24(d)(iii)) RMB'000	Other reserve (note 24(d)(iv)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	393,115	825,019	46,890	46,325	582,959	1,714,139	7,601,439	11,209,886	2,107,132	13,317,018
Changes in equity for 2015:										
Profit for the year	–	–	–	–	–	–	2,649,279	2,649,279	38,539	2,687,818
Other comprehensive income	–	–	–	(94,268)	–	–	–	(94,268)	–	(94,268)
Total comprehensive income for the year	–	–	–	(94,268)	–	–	2,649,279	2,555,011	38,539	2,593,550
Transfer to PRC statutory reserves	–	–	–	–	65,397	–	(65,397)	–	–	–
Dividend declared (note 24(b)(ii))	–	–	–	–	–	–	(433,736)	(433,736)	–	(433,736)
Equity-settled share-based transactions (note 6(b))	–	–	49,842	–	–	–	–	49,842	–	49,842
Effect of forfeited and cancelled share options	–	–	(21,475)	–	–	–	21,475	–	–	–
Issuance of shares (note 24(c))	46,706	1,242,434	–	–	–	–	–	1,289,140	–	1,289,140
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	(72,000)	(72,000)
Acquisition of additional interests in subsidiaries (note 32)	–	–	–	–	–	(1,121,364)	–	(1,121,364)	(961,533)	(2,082,897)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	2,800,000	2,800,000
At 31 December 2015	439,821	2,067,453	75,257	(47,943)	648,356	592,775	9,773,060	13,548,779	3,912,138	17,460,917

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital (note 24(c)) RMB'000	Share premium (note 24(d)(i)) RMB'000	Share-based compensation reserve (note 24(d)(v)) RMB'000	Exchange reserve (note 24(d)(ii)) RMB'000	PRC statutory reserves (note 24(d)(iii)) RMB'000	Other reserve (note 24(d)(iv)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	439,821	2,067,453	75,257	(47,943)	648,356	592,775	9,773,060	13,548,779	3,912,138	17,460,917
Changes in equity for 2016:										
Profit for the year	-	-	-	-	-	-	4,487,736	4,487,736	712,147	5,199,883
Other comprehensive income	-	-	-	(75,234)	-	-	-	(75,234)	-	(75,234)
Total comprehensive income for the year	-	-	-	(75,234)	-	-	4,487,736	4,412,502	712,147	5,124,649
Transfer to PRC statutory reserves	-	-	-	-	184,095	-	(184,095)	-	-	-
Repurchase and cancellation of own share (note 24(c)(ii))	(5,230)	(168,009)	-	-	-	-	-	(173,239)	-	(173,239)
Dividend declared (note 24(b)(ii))	-	-	-	-	-	-	(694,998)	(694,998)	-	(694,998)
Equity-settled share-based transactions (note 23)	-	-	23,731	-	-	-	-	23,731	-	23,731
Effect of forfeited and cancelled share options (note 23)	-	-	(3,926)	-	-	-	3,926	-	-	-
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	(45,146)	(45,146)
Acquisition of subsidiaries (note 31)	-	-	-	-	-	-	-	-	164,734	164,734
Acquisition of additional interests in subsidiaries (note 32)	-	-	-	-	-	(1,093,544)	-	(1,093,544)	(997,889)	(2,091,433)
Capital contribution from non-controlling interests	-	-	-	-	-	3,403,618	-	3,403,618	2,578,513	5,982,131
At 31 December 2016	434,591	1,899,444	95,062	(123,177)	832,451	2,902,849	13,385,629	19,426,849	6,324,497	25,751,346

The notes on pages 88 to 199 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations	19(b)	6,702,762	2,006,061
Tax paid			
– PRC tax paid	7(c)	(1,874,626)	(1,242,432)
Net cash generated from operating activities		4,828,136	763,629
Investing activities			
Addition to investment properties	11(a)	(621,372)	(296,754)
Addition to other property, plant and equipment	11(a)	(67,726)	(74,339)
Disposal of subsidiaries	33	(233,434)	–
Capital contribution to an associate	13	(7,500)	–
Capital contribution to joint ventures	14	(100,200)	–
Advances to an associate and joint ventures		(14,982,198)	–
Advances from joint ventures	20	1,343,560	–
Proceeds from disposal of other property, plant and equipment		566	1,389
Interest received		168,569	75,533
Acquisition of subsidiaries	31	55,418	–
Decrease/(increase) in restricted and pledged deposits		1,604,489	(617,259)
Net cash used in investing activities		(12,839,828)	(911,430)

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Financing activities			
Proceeds from bank and other loans		**14,822,616**	8,437,045
Repayment of bank and other loans		**(10,970,655)**	(10,156,639)
Proceeds from corporate bonds		**7,355,070**	4,950,000
Proceeds from non-interest bearing payable to a financial institution		**–**	1,293,801
Repayment of non-interest bearing payable to a financial institution	20	**(1,293,801)**	(1,293,801)
Proceeds from senior notes	22	**1,682,260**	–
Repayment of liabilities under cross-border guarantee arrangement		**(286,600)**	–
Proceeds from issuance of shares		**–**	1,289,140
Repurchase of own shares	24(c)(ii)	**(173,239)**	–
Interest and other borrowing costs paid		**(1,591,291)**	(1,529,839)
Increase in amount due from a non-controlling interest		**(14)**	(86,288)
Capital contribution from non-controlling interests		**5,982,131**	2,800,000
Payments for acquisition of additional interests in subsidiaries	32	**(2,000,000)**	(2,082,897)
Dividend paid to non-controlling interests		**(45,146)**	(72,000)
Dividend paid to equity shareholders of the Company		**(694,998)**	(433,736)
Net cash generated from financing activities		**12,786,333**	3,114,786
Net increase in cash and cash equivalents		**4,774,641**	2,966,985
Cash and cash equivalents at 1 January		**8,635,258**	5,576,357
Effect of foreign exchange rate changes		**149,928**	91,916
Cash and cash equivalents at 31 December	19(a)	**13,559,827**	8,635,258

The notes on pages 88 to 199 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

1 General information and basis of presentation

Logan Property Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 14 May 2010 as an exempted company with limited liability under the Companies Law (2011 Revision) (as combined and revised) of the Cayman Islands (the "Cayman Companies Law").

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") which was completed on 1 April 2013 to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the Company's prospectus dated 10 December 2013 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 20 December 2013.

The principle activity of the Company is investment holding and its subsidiaries are principally engaged in property development, property investment and construction in the People's Republic of China (the "PRC").

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(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.

2 Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and joint ventures.

The 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:

– investment properties (see note 2(g));

– derivative financial instruments (see note 2(f)).

The preparation of financial statements in conformity with HKFRSs 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 HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 2(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 retain 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.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associate and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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 an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that 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 notes 2(k)). 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 associate or 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 associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint ventures 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or 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 significant influence or 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associate and joint ventures (continued)

In the company's statement of financial position, investments in an associate and joint ventures are stated at cost less impairment losses (see note 2(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

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. Rental income from investment properties is accounted for as described in note 2(v)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 2(i)) and impairment losses (see note 2(k)):

– other land and buildings; and

– other items of plant and equipment.

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 borrowing costs (see note 2(x)).

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 profit or loss on the date of retirement or disposal.

(i) Depreciation of investment properties and other property, plant and equipment

(i) Investment properties and investment properties under development

No depreciation is provided on investment properties and investment properties under development.

(ii) Properties under development for own use

No depreciation is provided until such time as the relevant assets are complete and put into use.

(iii) Other land and buildings

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Costs of buildings thereon are depreciated on a straight-line basis over the unexpired terms of the respective leases.

(iv) Furniture, fixtures and other plant and equipment

Depreciation is calculated to write-off the cost of furniture, fixtures and other plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives of 3 to 10 years.

Where parts of an item of furniture, fixtures and other 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 held 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:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 2(g)).

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments 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 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 (see note 2(g)) or is held for development for sale (see note 2(l)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost 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 investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associate and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(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 2(k)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Impairment of other receivables (continued)

– 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 financial assets carried at amortised cost 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors 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 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 profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(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, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries, an associate and joint ventures in the Company's statement of financial position.

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).

– *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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(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 HKAS 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 2(k)(i) and (ii)).

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Properties held for development for sale

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(x)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(iii) Completed properties 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 for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(v)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

(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 2(k)), 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.

(o) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The fair value of the derivative component is subsequently remeasured in accordance with note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(p) 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.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), 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 in 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(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.

The employees of the Group participate in retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the Group operates in the PRC. The contribution to the retirement plan is calculated based on fixed rates of the employees' salaries cost and charged to profit or loss as and when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice 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 capital 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 capital 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 capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(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 business combinations, or 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.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(t) Income tax (continued)

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 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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 liability to pay the related dividend is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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

  – 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.

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 2(u)(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.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(u) Financial guarantees issued, provisions and contingent liabilities (continued)

(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.

(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) Sale of properties

Revenue from the sale of properties is recognised in profit or loss 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 properties are completed and the buyers have accepted the properties and obtained the physical possession of the properties. Revenue from the sale of properties excludes value added tax, business tax and 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 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 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) Construction income

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government subsidies

Government subsidies 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. Subsidies that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(vi) Design fee and construction management service income

Design fee and construction management service income are recognised at the time when the services are provided.

(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 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.

(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.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(y) 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.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the 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.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Investment in joint ventures and associates

The Group has co-operated with certain third parties to engage in certain property development projects through the investment in and advances to certain investees. The Group has exercised judgement in determining whether it has joint control or significant influence over these entities based on its representation on the board of directors or equivalent governing body of the investees. These investees are classified as joint ventures or associates in the consolidated statement of financial position and accounted for in accordance with accounting policy set out in note 2(e).

Significant judgement is required to assess the recoverability of the receivables because the profitability of the future development of properties by these investees over a number of years can be difficult to predict and can be influenced by broader political and economic factors.

(b) Valuation of investment properties

As described in note 11, investment properties and investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional surveyors, the valuers have valued the investment properties by reference to sales evidences as available on the market. The investment properties under development had been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans. They were determined using the direct comparison approach by making references to comparable sale evidence as available in the relevant market, with adjustments for development costs to be expended to complete the properties.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Valuation of investment properties (continued)

In determining the fair value, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including comparable market transactions. In relying on the valuation report, management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market condition.

(c) Impairment of non-current assets

If circumstances indicate that the carrying amounts of property, plant and equipment (other than investment properties) may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(d) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of properties under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

(e) Construction contracts

As explained in policy notes 2(m) and 2(v)(iii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Land Appreciation Tax ("LAT")

As explained in note 7(a)(iv), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual 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 LAT is calculated. Significant judgement 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 LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of each reporting period. Any increase or decrease in actual outcomes/estimates would affect income statement in the period in which such determination is made.

(g) Recognition of deferred tax assets

The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such reversal takes place.

(h) Estimation of fair value of derivative financial instruments

Redemption call options embedded in senior notes of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in note 25(e). Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents income from sale of properties, rental income and construction income earned during the year, before deduction of business tax and discounts allowed, and is analysed as follows:

	2016 **RMB'000**	2015 RMB'000
Sale of properties	**21,104,999**	15,247,388
Rental income	**83,932**	71,748
Construction income	**212,105**	120,644
	21,401,036	15,439,780
Less: Business tax and other sales related taxes	**(862,198)**	(865,770)
	20,538,838	14,574,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Property development: this segment develops and sells residential properties and retail shops.

– Property leasing: this segment leases office units and retail shops to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the PRC.

– Construction contracts: this segment constructs office premises and residential buildings for external customers and for group companies. Currently, the Group's activities in this regards are carried out in the PRC.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is the adjusted profit before finance costs, income tax, depreciation and amortisation, and are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances, borrowings and derivative from senior notes managed directly by the segments and depreciation to non-current segment assets used by the segments in their operations. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

4 Revenue and Segment Reporting (Continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

For the year ended 31 December 2016

	Property development RMB'000	Property leasing RMB'000	Construction contracts RMB'000	Total RMB'000
Gross revenue from external customers	21,104,999	83,932	212,105	21,401,036
Less: Business tax and other sales related taxes	(859,737)	(1,962)	(499)	(862,198)
Net revenue from external customers	20,245,262	81,970	211,606	20,538,838
Inter-segment revenue	–	11,023	4,197,558	4,208,581
Reportable segment revenue	20,245,262	92,993	4,409,164	24,747,419
Reportable segment profit	5,533,957	64,064	614,488	6,212,509
Interest income				
– Cash at bank	37,345	493	18,528	56,366
– Amounts due from an associate and joint ventures	–	–	13,501	13,501
Finance costs	(19,725)	–	(20,422)	(40,147)
Depreciation	(5,595)	(3,433)	(4)	(9,032)
Net increase in fair value of investment properties	–	2,681,903	–	2,681,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

For the year ended 31 December 2015

	Property development RMB'000	Property leasing RMB'000	Construction contracts RMB'000	Total RMB'000
Gross revenue from external customers	15,247,388	71,748	120,644	15,439,780
Less: Business tax and other sales related taxes	(857,536)	(3,870)	(4,364)	(865,770)
Net revenue from external customers	14,389,852	67,878	116,280	14,574,010
Inter-segment revenue	–	–	3,432,122	3,432,122
Reportable segment revenue	14,389,852	67,878	3,548,402	18,006,132
Reportable segment profit	3,613,418	62,112	362,563	4,038,093
Bank interest income	19,316	–	18,091	37,407
Finance costs	(9,368)	–	(10,963)	(20,331)
Depreciation	(9,490)	–	(14)	(9,504)
Net increase in fair value of investment properties	–	943,057	–	943,057

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment revenue and profit or loss

	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	24,747,419	18,006,132
Elimination of inter-segment revenue	(4,208,581)	(3,432,122)
Consolidated revenue	20,538,838	14,574,010
Profit		
Reportable segment profit	6,212,509	4,038,093
Elimination of inter-segment profits	(631,645)	(381,739)
Reportable segment profit derived from Group's external customers	5,580,864	3,656,354
Other revenue	423,523	134,635
Other expenses	(196,327)	(144,029)
Depreciation	(37,265)	(22,844)
Finance costs	(371,850)	(36,215)
Share of profit of an associate	31,723	–
Share of losses of joint ventures	(6,137)	–
Net increase in fair value of investment properties	2,681,903	943,057
Net increase in fair value of derivative financial instruments	81,720	6,936
Unallocated head office and corporate expenses	(254,720)	(364,384)
Consolidated profit before taxation	7,933,434	4,173,510

(iii) Geographic information

No geographic information has been presented as the Group's operating activities are largely carried out in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

5 OTHER REVENUE AND OTHER EXPENSES

(a) Other revenue

	2016 RMB'000	2015 RMB'000
Interest income on:		
– Cash at bank	133,881	93,070
– Amounts due from an associate and joint ventures	256,787	–
Government subsidies	5,927	18,589
Forfeited deposits	18,374	19,271
Others	8,554	3,705
	423,523	134,635

(b) Other expenses

	2016 RMB'000	2015 RMB'000
Donations (note)	(125,533)	–
Net foreign exchange loss	(70,928)	(141,756)
Net gain on disposal of property, plant and equipment	181	175
Net gain on disposal of subsidiaries (note 33)	878	–
Others	(925)	(2,448)
	(196,327)	(144,029)

Note: The Group made charitable donations amounted to RMB125,533,000 during the year ended 31 December 2016.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2016 RMB'000	2015 RMB'000
Interests on bank and other loans and other borrowing costs	**903,430**	1,132,760
Interests on senior notes	**532,329**	368,715
Interests on corporate bonds	**482,294**	90,570
	1,918,053	1,592,045
Less: Amount capitalised (note)	**(1,546,203)**	(1,555,830)
	371,850	36,215

Note: The borrowing costs have been capitalised at rates ranging from 3.3% to 12.0% (2015: 2.8% to 13.0%) per annum for the year.

(b) Staff costs

	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	**615,645**	477,028
Contributions to defined contribution retirement plans	**38,682**	25,591
Equity-settled share-based transactions	**23,731**	49,842
	678,058	552,461
Less: Amount capitalised	**(260,183)**	(94,758)
	417,875	457,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2016 RMB'000	2015 RMB'000
Depreciation	**50,087**	33,969
Less: Amount capitalised	**(12,822)**	(11,125)
	37,265	22,844
Rentals receivable from investment properties	**(81,970)**	(67,878)
	(81,970)	(67,878)
Cost of properties sold	**13,812,693**	10,013,952
Cost of construction	**165,814**	117,317
Auditors' remuneration		
– Audit services	**4,180**	1,882
– Non-audit services	**2,118**	522
Operating lease charges: minimum lease payments for land and buildings	**10,805**	11,605

7 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
Current tax		
Provision for PRC Corporate Income Tax ("CIT") for the year	**1,212,341**	771,588
CIT over-provision in prior years	**(21,459)**	–
Provision for LAT for the year	**971,606**	563,020
	2,162,488	1,334,608
Deferred tax		
Origination of temporary differences	**571,063**	151,084
	2,733,551	1,485,692

7 INCOME TAX (CONTINUED)

(a) Income tax in the consolidated statement of profit or loss represents: (continued)

(i) Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands.

(ii) No provision for Hong Kong Profits Tax was made as the Group has no assessable profits arising in or derived from Hong Kong for the year.

(iii) Effective from 1 January 2008, under the PRC CIT Law, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified.

(iv) LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land 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 right, borrowing costs and all qualified property development expenditures.

(b) Reconciliation between income tax expense and accounting profit before taxation at applicable tax rates:

	2016 RMB'000	2015 RMB'000
Profit before taxation	7,933,434	4,173,510
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	1,988,091	1,052,060
Tax effect of non-taxable income	(12,403)	(15,820)
CIT over-provision in prior years	(21,459)	–
Tax effect of non-deductible expenses	50,824	19,674
Utilisation of previously unrecognised tax losses	(506)	(543)
Effect of tax losses not recognised	300	36
LAT	971,606	563,020
Tax effect of deductible LAT	(242,902)	(132,735)
Actual tax expense	2,733,551	1,485,692

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

7 Income Tax (Continued)

(c) Income tax in the consolidated statement of financial position represents:

(i) Current taxation

	2016 RMB'000	2015 RMB'000
CIT		
At 1 January	174,774	333,425
Provision for the year	1,190,882	771,588
CIT paid	(994,880)	(930,239)
At 31 December	370,776	174,774
LAT		
At 1 January	739,328	488,501
Provision for the year	971,606	563,020
LAT paid	(879,746)	(312,193)
At 31 December	831,188	739,328
Withholding tax		
At 1 January and 31 December	4,500	4,500
	1,206,464	918,602
Representing:		
Tax recoverable	(810,941)	(402,045)
Tax payable	2,017,405	1,320,647
	1,206,464	918,602

7 INCOME TAX (CONTINUED)

(c) Income tax in the consolidated statement of financial position represents: (continued)

(ii) 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:

	Group					
	Revaluation of investment properties	**Unrealised gain on intra-group transactions**	**Temporary differences arising from LAT provisions**	**Unused tax losses (note)**	**Fair value adjustments arising from business combinations**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:						
At 1 January 2015	896,228	(207,039)	(167,923)	(73,829)	–	447,437
Charged/(credited) to the consolidated profit or loss	235,764	15,964	(72,396)	(28,248)	–	151,084
At 31 December 2015 and 1 January 2016	**1,131,992**	**(191,075)**	**(240,319)**	**(102,077)**	**–**	**598,521**
Charged/(credited) to the consolidated profit or loss	**670,476**	**(57,933)**	**(22,965)**	**(18,515)**	**–**	**571,063**
Addition upon acquisition of subsidiaries	**–**	**–**	**–**	**–**	**184,010**	**184,010**
At 31 December 2016	**1,802,468**	**(249,008)**	**(263,284)**	**(120,592)**	**184,010**	**1,353,594**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

7 INCOME TAX (CONTINUED)

(c) Income tax in the consolidated statement of financial position represents: (continued)

(ii) Deferred tax assets and liabilities recognised (continued)

	Group	
	2016	2015
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(273,500)**	(385,210)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**1,627,094**	983,731
	1,353,594	598,521

Note: In assessing the realisability of deferred tax assets in respect of the Group's subsidiaries which suffered losses in current or preceding periods, management have considered the projected future taxable income of these subsidiaries. Accordingly, the Group has recognised deferred tax assets of RMB120,592,000 as at 31 December 2016 (2015: RMB102,077,000) as the Group estimates that these subsidiaries have property development projects which are probable to generate sufficient future taxable profits to support their utilisation.

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following item:

	Group	
	2016	2015
	RMB'000	RMB'000
Unused tax losses		
– PRC (note)	**4,822**	5,646

Note: The Group has not recognised deferred tax assets in respect of unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

The unused tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose. As at 31 December 2016, tax losses of RMB2,116,000, RMB822,000, RMB541,000, RMB144,000 and RMB1,199,000 will expire, if unused, by the end of 2017, 2018, 2019, 2020 and 2021, respectively.

(e) Deferred tax liabilities not recognized

As at 31 December 2016, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB15,311,411,000 (2015: RMB10,727,709,000). No deferred tax liability was recognised in respect of these taxable temporary differences.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2016					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payment expenses (note 23) RMB'000	Total RMB'000
Executive Directors						
Kei Hoipang ("Mr. Kei", also act as the Chairman of the Group)	–	6,383	7,434	30	2,827	16,674
Ji Jiande	–	3,113	16,279	30	2,120	21,542
Xiao Xu	–	1,612	4,701	28	964	7,305
Lai Zhuobin	–	1,615	3,951	32	900	6,498
Non-executive Director						
Kei Perenna Hoi Ting ("Ms. Kei")	1,342	–	2,577	11	442	4,372
Independent non-executive Directors						
Zhang Huaqiao	358	–	–	–	–	358
Liu Ka Ying, Rebecca	358	–	–	–	–	358
Cai Suisheng	358	–	–	–	–	358
Total	2,416	12,723	34,942	131	7,253	57,465

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

8 Directors' Emoluments (Continued)

	2015					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payment expenses (note 23) RMB'000	Total RMB'000
Executive Directors						
Kei Hoipang ("Mr. Kei", also act as the Chairman of the Group)	–	5,890	2,949	26	4,596	13,461
Ji Jiande	–	2,668	3,291	26	3,447	9,432
Xiao Xu	–	1,394	1,530	24	1,567	4,515
Lai Zhuobin	–	1,395	1,418	27	1,462	4,302
Non-executive Director						
Kei Perenna Hoi Ting ("Ms. Kei")	1,529	–	–	15	718	2,262
Independent non-executive Directors						
Zhang Huaqiao	335	–	–	–	–	335
Liu Ka Ying, Rebecca	335	–	–	–	–	335
Cai Suisheng	335	–	–	–	–	335
Total	2,534	11,347	9,188	118	11,790	34,977

Note: No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the year.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2015: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2015: three) individual is as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	1,815	3,570
Discretionary bonuses	4,189	6,462
Share-based payments	1,285	4,282
Retirement scheme contributions	30	67
	7,319	14,381

The emoluments of the one (2015: three) individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
HK$4,000,001 to HK$4,500,000	–	2
HK$5,500,001 to HK$6,000,000	–	1
HK$7,000,001 to HK$7,500,000	1	–
	1	3

No individual received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No individual waived or agreed to waive any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2016 is based on the profit attributable to equity shareholders of the Company of RMB4,487,736,000 (2015: RMB2,649,279,000) and the weighted average of 5,536,242,000 shares (2015: 5,054,992,000 shares) in issue during the year ended 31 December 2016, calculated as follows:

	2016 '000	2015 '000
Weighted average number of shares		
Issued shares at 1 January	5,557,554	5,000,000
Effect of issuance of shares (note 24(c))	–	54,992
Effect of repurchase and cancellation (note 24(c))	(21,312)	–
Weighted average number of shares at 31 December	5,536,242	5,054,992

(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 RMB4,487,736,000 (2015: RMB2,649,279,000) and weighted average number of shares of 5,553,076,000 shares (2015: 5,063,879,000 shares) as follows.

	2016 '000	2015 '000
Weighted average number of shares		
Weighted average number of shares at 31 December	5,536,242	5,054,992
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	16,834	8,887
Weighted average number of shares (diluted) at 31 December	5,553,076	5,063,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a)

	Investment properties RMB'000	Investment properties under development RMB'000	Sub-total RMB'000	Other land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other plant and equipment RMB'000	Sub-total RMB'000	Total RMB'000
Cost or valuation:								
At 1 January 2016	5,146,500	971,000	6,117,500	42,598	125,548	168,575	336,721	6,454,221
Additions	522,643	98,729	621,372	–	55,256	12,470	67,726	689,098
Transfer to investment properties	180,158	2,305,951	2,486,109	–	–	–	–	2,486,109
Disposals	(16,005)	–	(16,005)	–	–	(3,884)	(3,884)	(19,889)
Surplus on revaluation	531,282	2,150,621	2,681,903	–	–	–	–	2,681,903
Exchange difference	–	–	–	–	257	1,322	1,579	1,579
At 31 December 2016	6,364,578	5,526,301	11,890,879	42,598	181,061	178,483	402,142	12,293,021
Representing:								
Cost	–	–	–	42,598	181,061	178,483	402,142	402,142
Valuation	6,364,578	5,526,301	11,890,879	–	–	–	–	11,890,879
	6,364,578	5,526,301	11,890,879	42,598	181,061	178,483	402,142	12,293,021
Accumulated depreciation:								
At 1 January 2016	–	–	–	10,473	55,006	105,620	171,099	171,099
Charge for the year	–	–	–	2,125	33,313	14,649	50,087	50,087
Written back on disposals	–	–	–	–	–	(3,499)	(3,499)	(3,499)
Exchange difference	–	–	–	–	27	111	138	138
At 31 December 2016	–	–	–	12,598	88,346	116,881	217,825	217,825
Net book value:								
At 31 December 2016	6,364,578	5,526,301	11,890,879	30,000	92,715	61,602	184,317	12,075,196

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

11 Investment Properties and Other Property, Plant and Equipment (Continued)

(a) (continued)

	Investment properties RMB'000	Investment properties under development RMB'000	Sub-total RMB'000	Other land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other plant and equipment RMB'000	Sub-total RMB'000	Total RMB'000
Cost or valuation:								
At 1 January 2015	4,684,500	–	4,684,500	42,598	63,259	157,757	263,614	4,948,114
Additions	3,604	293,150	296,754	–	63,598	10,741	74,339	371,093
Transfer to investment properties	97,177	119,006	216,183	–	–	–	–	216,183
Transfer to inventories	(22,994)	–	(22,994)	–	–	–	–	(22,994)
Disposals	–	–	–	–	–	(5,557)	(5,557)	(5,557)
Surplus on revaluation	384,213	558,844	943,057	–	–	–	–	943,057
Exchange difference	–	–	–	–	(1,309)	5,634	4,325	4,325
At 31 December 2015	5,146,500	971,000	6,117,500	42,598	125,548	168,575	336,721	6,454,221
Representing:								
Cost	–	–	–	42,598	125,548	168,575	336,721	336,721
Valuation	5,146,500	971,000	6,117,500	–	–	–	–	6,117,500
	5,146,500	971,000	6,117,500	42,598	125,548	168,575	336,721	6,454,221
Accumulated depreciation:								
At 1 January 2015	–	–	–	8,055	37,800	95,718	141,573	141,573
Charge for the year	–	–	–	2,418	17,206	14,345	33,969	33,969
Written back on disposals	–	–	–	–	–	(4,443)	(4,443)	(4,443)
Exchange difference	–	–	–	–	–	–	–	–
At 31 December 2015	–	–	–	10,473	55,006	105,620	171,099	171,099
Net book value:								
At 31 December 2015	5,146,500	971,000	6,117,500	32,125	70,542	62,955	165,622	6,283,122

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 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

	Fair value at each end of the reporting period	Fair value measurements as at the end of each reporting period categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
At 31 December 2016				
Investment properties				
– Leasehold land-HK	500,926	–	–	500,926
– Commercial-Mainland China	5,863,652	–	–	5,863,652
Investment properties under development	5,526,301	–	–	5,526,301
At 31 December 2015				
Investment properties				
– Commercial-Mainland China	5,146,500	–	–	5,146,500
Investment properties under development	971,000	–	–	971,000

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

11 Investment Properties and Other Property, Plant and Equipment (continued)

(b) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties and investment properties under development were revalued as at 31 December 2015 and 2016. The valuations were carried out by the independent firms of surveyors, APAC Asset Valuation and Consulting Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors and Vocation (Beijing) International Assets Appraisal Co., Ltd Shenzhen Branch, with recent experience in the locations and categories of properties being valued. The Group's management have discussed with the surveyors on the valuation assumptions and valuation results when the valuations are performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
At 31 December 2016			
Investment properties			
– Leasehold land-HK	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	205,860 (205,860)
– Commercial-Mainland China	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	7,500-155,700 (45,331)
– Commercial-Mainland China	Income approach	Risk-adjusted discount rate	2% to 5.5%
		Expected market rental growth	1.08% to 10%
		Expected occupancy rate	92%-100%
Investment properties under development	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	7,500-125,630 (16,811)
At 31 December 2015			
Investment properties			
– Commercial-Mainland China	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	4,400–83,000 (25,843)
Investment properties under developments	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	10,000–50,000 (19,312)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements (continued)

At 31 December 2016, the fair values of investment properties is determined using the direct comparison approach and income capitalisation approach. Direct comparison approach is valued by making reference to comparable sale evidence as available in the relevant market of which is positively correlated to the market unit sale rate. Income capitalisation is valued by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties which is positively correlated to the market monthly rental rate, and negatively correlated to capitalisation rate.

The investment properties under development have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans. They are determined using the direct comparison approach by making references to comparable sale evidence as available in the relevant market, with adjustments for development costs to be expended to complete the properties. The fair value measurement is positively correlated to the market unit sale rate.

The movements during the year in the balance of Level 3 fair value measurements are set out in note 11(a) to these financial statements.

The changes in fair values of investment properties and investment properties under developments are presented in "Net increase in fair value of investment properties" in the consolidated statement of profit or loss.

(c) The analysis of net book value of properties is as follows:

	2016	2015
	RMB'000	RMB'000
In Hong Kong		
– under long leases	**500,926**	–
In the PRC		
– under long leases	**1,149,356**	635,600
– under medium-term leases	**10,270,597**	5,514,025
	11,920,879	6,149,625

The Group's certain investment properties, investment properties under development and properties under development for own use were pledged against the Group's bank and other loans, details of which are set out in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All of them are established in the PRC unless otherwise stated.

		Proportion of ownership interest			
Name of subsidiaries	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Yuen Ming Investments Company Limited (incorporated in the BVI) (潤銘投資有限公司)	US$1	100%	100%	–	Investment holding
Noble Rhythm International Limited (incorporated in the BVI) (樂韻國際有限公司)	US$50,000	100%	100%	–	Investment holding
Golden Prosper Investments Limited (incorporated in the BVI) (金裕投資有限公司)	US$1	100%	100%	–	Investment holding
Jolly Gain Investments Limited (incorporated in the BVI) (樂盈投資有限公司)	US$1	100%	100%	–	Investment holding
Platinum Profit Investments Limited (incorporated in the BVI) (鉑盈投資有限公司)	US$1	100%	100%	–	Investment holding
Tai Ying Investments Limited (incorporated in the BVI) (太盈投資有限公司)	US$1	100%	100%	–	Investment holding
Talent Union Investments Limited (incorporated in the BVI) (匯駿投資有限公司)	US$1	100%	100%	–	Investment holding
Dragon Coronet Limited (incorporated in the BVI) (龍冠有限公司)	US$1	100%	100%	–	Investment holding
Unicorn Bay Limited (incorporated in the BVI) (麒灣有限公司)	US$1	100%	100%	–	Inactive
Global Soar Limited (incorporated in the BVI) (世翔有限公司)	US$1	100%	100%	–	Inactive

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

		Proportion of ownership interest			
Name of subsidiaries	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Soaring Pioneer Limited (incorporated in the BVI) (翔鋒有限公司)	US$1	100%	100%	–	Inactive
Logan Property International Investment Holdings Limited (incorporated in the BVI) (龍光地產國際投資控股有限公司)	US$1	100%	100%	–	Inactive
Yuen Ming (Hong Kong) Investments Company Limited (incorporated in Hong Kong) (潤銘(香港)投資有限公司)	HK$1	100%	–	100%	Investment holding
Kam Wang (Hong Kong) Investments Company Limited (incorporated in Hong Kong) (金泓(香港)投資有限公司)	HK$1	100%	–	100%	Investment holding
Grandview Architectural Design Services Limited (incorporated in Hong Kong)	HK$1	100%	–	100%	Investment holding
Golden Prosper (Hong Kong) Investments Holdings Limited (incorporated in Hong Kong) (金裕(香港)投資控股有限公司)	HK$1	100%	–	100%	Inactive
Jolly Gain (Hong Kong) Investments Limited (incorporated in Hong Kong) (樂盈(香港)投資有限公司)	HK$1	100%	–	100%	Inactive
Platinum Profit (Hong Kong) Investments Limited (incorporated in Hong Kong) (鉑盈(香港)投資有限公司)	HK$1	100%	–	100%	Inactive
Tai Ying (Hong Kong) Investments Limited (incorporated in Hong Kong) (太盈(香港)投資有限公司)	HK$1	100%	–	100%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Talent Union (Hong Kong) Investments Limited (incorporated in Hong Kong) (匯駿(香港)投資有限公司)	HK$1	100%	–	100%	Inactive
King Kerry Investments Company Limited (incorporated in the BVI) (金凱利投資有限公司)	US$1	100%	–	100%	Investment holding
King Kerry (Hong Kong) Investments Company Limited (incorporated in Hong Kong) (金凱利(香港)投資有限公司)	HK$1	100%	–	100%	Investment holding
Cosmic Edge Investments Limited (incorporated in the BVI) (銳宇投資有限公司)	US$1	100%	100%	–	Investment holding
Century State Investments Limited (incorporated in the BVI) (世邦投資有限公司)	US$1	100%	100%	–	Inactive
Logan Property International Investment Limited (incorporated in Hong Kong) (龍光地產國際投資有限公司)	HK$1	100%	–	100%	Inactive
Unicorn Bay (Hong Kong) Investments Limited (incorporated in Hong Kong) (麒灣(香港)投資有限公司	HK$1	100%	–	100%	Inactive
Sino Triumph Global Limited (incorporated in the BVI) (華勝環球有限公司)	US$1	100%	–	100%	Inactive
Spring Estate Holdings Limited (incorporated in the BVI) (泉置控股有限公司)	US$1	100%	–	100%	Inactive
Virtue High Limited (incorporated in the BVI) (德崇有限公司)	US$1	100%	–	100%	Inactive

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Logan Property (Hong Kong) Company Limited (incorporated in Hong Kong) (龍光地產(香港)有限公司)	HK$1	100%	–	100%	Inactive
Logan Property (Singapore) Company Pte. Limited (incorporated in Singapore) (龍光地產(新加坡)有限公司)	SGD$1	100%	–	100%	Inactive
Union Brothers Limited (incorporated in the BVI)	US$1	100%	–	100%	Inactive
Pak San Bay Investments Company Limited (incorporated in the BVI) (北山灣投資有限公司)	US$1	100%	–	100%	Investment holding
Pak San Bay (Hong Kong) Investments Company Limited (incorporated in Hong Kong) (北山灣(香港)投資有限公司)	HK$1	100%	–	100%	Investment holding
Logan Construction Co., Ltd. (note) (龍光工程建設有限公司)	RMB80,000,000	91%	–	91%	Property construction
Shenzhen Logan Holdings Co., Ltd. (note) (深圳市龍光控股有限公司)	RMB443,000,000	100%	–	100%	Investment holding and provision of consultancy services to group companies
Zhongshan Logan Property Co., Ltd. (note) (中山市龍光房地產有限公司)	RMB30,000,000	100%	–	100%	Property development
Nanning Logan Property Development Co., Ltd. (note) (南寧市龍光房地產開發有限公司)	RMB100,000,000	100%	–	100%	Property development and investment
Guangzhou Logan Property Co., Ltd. (note) (廣州市龍光房地產有限公司)	RMB40,000,000	100%	–	100%	Property development and investment
Guangzhou Logan Realty Co., Ltd. (note) (廣州市龍光置業有限公司)	RMB30,000,000	100%	–	100%	Property development

Notes to the Consolidated Financial Statements
(Expressed in Renminbi)

12 Investments in Subsidiaries (continued)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Huizhou Daya Bay Logan Property Co., Ltd. (note) (惠州大亞灣龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Shantou Logan Property Co., Ltd. (note) (汕頭市龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Zhuhai Logan Property Development Co., Ltd. (note) (珠海市龍光房地產開發有限公司)	RMB30,000,000	100%	–	100%	Property development and investment
Foshan Shunde Logan Realty Co., Ltd. (note) (佛山市順德區龍光置業房產有限公司)	RMB35,295,000	100%	–	100%	Property development
Huizhou Logan Property Co., Ltd. (note) (惠州市龍光房地產有限公司)	RMB30,000,000	100%	–	100%	Property development
Dongguan Logan Property Co., Ltd. (note) (東莞市龍光房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Shantou Jinfengyuan Realty Co., Ltd. (note) (汕頭市金鋒園置業有限公司)	RMB66,000,000	100%	–	100%	Property development
Nanning Logan Jinjun Property Development Co., Ltd. (note) (南寧市龍光金駿房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development and investment
Hainan Logan Property Development Co., Ltd. (note) (海南龍光房地產開發有限公司)	RMB20,000,000	100%	–	100%	Property development
Chengdu Logan Property Co., Ltd. (note) (成都市龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Shantou Logan Realty Co., Ltd. (note) (汕頭市龍光置業有限公司)	RMB33,000,000	100%	–	100%	Property development and investment
Shantou Jiarun Property Co., Ltd. (note) (汕頭市佳潤房地產有限公司)	RMB50,000,000	100%	–	100%	Property development

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Hainan Jinjun Realty Co., Ltd. (note) (海南金駿置業有限公司)	RMB351,800,000	100%	–	100%	Property development
Foshan Shancheng Logan Property Co., Ltd. (note) (佛山市禪城區龍光房地產有限公司)	RMB10,500,000	100%	–	100%	Property development
Nanning Logan Bojun Property Development Co., Ltd. (note) (南寧市龍光鉑駿房地產開發有限公司)	RMB700,000,000	100%	–	100%	Property development
Chengdu Logan Jinjun Realty Co., Ltd. (note) (成都市龍光金駿置業有限公司)	RMB10,000,000	100%	–	100%	Property development
Chengdu Logan Donghua Property Development Co., Ltd. (note) (成都市龍光東華房地產開發有限公司)	RMB558,059,600	100%	–	100%	Property development
Shantou Weida Property Co., Ltd. (note) (汕頭市偉達房地產有限公司)	RMB54,200,441	75%	–	75%	Property development
Shenzhen Logan Dongzhen Realty Co., Ltd. (note) (深圳市龍光東圳置業有限公司)	RMB30,000,000	100%	–	100%	Investment holding
Huizhou Daya Bay Dongzhen Property Co., Ltd. (note) (惠州大亞灣東圳房地產有限公司)	RMB55,600,000	90%	–	90%	Property development and investment
Shenzhen Logan Property Co., Ltd. (note) (深圳市龍光房地產有限公司)	RMB80,000,000	100%	–	100%	Property development and investment
Shenzhen Yongjing Decorating Construction Co., Ltd. (note) (深圳市潤景裝飾工程有限公司)	RMB200,000,000	91%	–	100%	Provision of decoration construction to group companies
Shenzhen Logan Media Planning Co., Ltd. (note) (深圳市龍光傳媒策劃有限公司)	RMB2,200,000	100%	–	100%	Provision of advertising services to group companies

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

12 Investments in Subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Shenzhen Chenrong Construction Materials Co., Ltd. (note) (深圳市宸榮建築材料有限公司)	RMB5,000,000	91%	–	100%	Sales of construction materials to group companies
Shenzhen Logan Century Business Management Co., Ltd. (note) (深圳市龍光世紀商業管理有限公司)	RMB100,000,000	100%	–	100%	Provision of management services to group companies
Nanning Logan Junchi Property Development Co., Ltd. (note) (南寧市龍光駿馳房地產開發有限公司)	RMB35,000,000	100%	–	100%	Property development
Zhongshan Jinjun Property Co., Ltd. (note) (中山市金駿房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Foshan Nanhai Logan Realty Co., Ltd. (note) (佛山市南海區龍光置業房產 有限公司)	RMB58,820,000	100%	–	100%	Property development
Shenzhen Logan Investment Consultancy Co., Ltd. (note) (深圳市龍光投資顧問有限公司)	RMB10,000,000	100%	–	100%	Investment holding
Dongguan Logan Realty Co., Ltd. (note) (東莞市龍光置業有限公司)	RMB10,500,000	100%	–	100%	Property development
Shantou Logan Jinjun Property Co., Ltd. (note) (汕頭市龍光金駿房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Zhongshan Junchi Property Co., Ltd. (note) (中山市駿馳房地產有限公司)	RMB10,500,000	100%	–	100%	Property development
Foshan Runjing Property Co., Ltd. (note) (佛山市順德區龍光潤景房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Foshan Logan Realty Co., Ltd. (note) (佛山市龍光置業房產有限公司)	RMB10,500,000	100%	–	100%	Property development

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

12 Investments in Subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Shantou Logan Junjing Property Co., Ltd. (note) (汕頭市龍光駿景房地產有限公司)	RMB49,908,125	100%	–	100%	Property development
Shenzhen Jinjun Property Co., Ltd. (note) (深圳市金駿房地產有限公司)	RMB198,000,000	100%	–	100%	Property development
Guilin Logan Bojun Property Development Co., Ltd. (note) (桂林市龍光鉑駿房地產開發 有限公司)	RMB50,000,000	100%	–	100%	Property development
Haikou Logan Property Development Co., Ltd. (note) (海口市龍光房地產開發有限公司)	RMB102,500,000	100%	–	100%	Property development
Shenzhen Logan Junchi Property Development Co., Ltd. (note) (深圳市龍光駿馳房地產開發有限公司)	RMB5,000,000	51%	–	51%	Property development
Nanning Dezhiji Construction Materials Co., Ltd. (note) (南寧市德之吉建材有限公司)	RMB5,000,000	91%	–	100%	Sales of construction materials to group companies
Guangdong Modern Construction Design and Consultation Co., Ltd. (note) (廣東現代建築設計與顧問有限公司)	RMB6,000,000	100%	–	100%	Provision of construction design and consultation services
Foshan Logan Sunshine Seaward Property Co., Ltd. (note) (佛山市龍光陽光海岸房地產有限公司)	RMB50,000,000	66%	–	66%	Property development
Guangxi King Kerry Realty Co., Ltd. (note) (廣西金凱利置業有限公司)	USD18,000,000	95%	–	95%	Property development
Shenzhen Runjing Logistic Co., Ltd. (note) (深圳市潤景物流有限公司)	RMB Nil	100%	–	100%	Logistics
Zhuhai Bojun Property Development Co., Ltd. (note) (珠海市鉑駿房地產開發有限公司)	RMB Nil	51%	–	51%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

		Proportion of ownership interest			
Name of subsidiaries	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Zhuhai Junjing Property Development Co., Ltd. (note) (珠海市駿景房地產開發有限公司)	RMB10,000,000	100%	–	100%	Property development
Shenzhen Dezhiji Construction Materials Co., Ltd. (note) (深圳市德之吉建築材料有限公司)	RMB10,000,000	91%	–	100%	Sales of construction materials to group companies
Shenzhen Kaichengda Construction Materials Co., Ltd. (note) (深圳市凱誠達建築材料有限公司)	RMB10,000,000	91%	–	100%	Sales of construction materials to group companies
Shantou Logan Runjing Property Co., Ltd. (note) (汕頭市龍光潤璟房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Nanning Logan Mingjun Property Development Co., Ltd. (note) (南寧市龍光銘駿房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development
Shenzhen Logan Junjing Property Development Co., Ltd. (note) (深圳市龍光駿景房地產開發有限公司)	RMB20,400,000	51%	–	51%	Property development
Shenzhen Junteng Realty Co., Ltd. (note) (深圳市駿騰置業有限公司)	RMB10,500,000	100%	–	100%	Property development and import and export business
Zhuhai Junchi Property Development Co.,Ltd. (note) (珠海市駿馳房地產開發有限公司)	RMB10,000,000	100%	–	100%	Property development
Shenzhen Logan Junfei Realty Co., Ltd.(note) (深圳市龍光駿飛置業有限公司)	RMB10,000,000	100%	–	100%	Property development
Shenzhen Logan Junyu Property Development Co., Ltd. (note) (深圳市龍光駿譽房地產開發有限公司)	RMB10,000,000	100%	–	100%	Property development
Huizhou Logan Junjing Property Co., Ltd. (note) (惠州市龍光駿景房地產有限公司)	RMB10,000,000	100%	–	100%	Property development and investment

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

12 Investments in Subsidiaries (continued)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiary	Principal activities
Huizhou Logan Jinjun Property Co., Ltd. (note) (惠州市龍光金駿房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Beijing Runjing Property Development Co., Ltd. (note) (北京潤璟房地產開發有限公司)	RMB5,000,000	100%	–	100%	Property development
Nanning Yaohui Property Development Co., Ltd. (note) (南寧市耀輝房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development
Shenzhen Logan Bojun Property Co., Ltd. (note) (深圳市龍光鉑駿房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Shanghai Logan Property Co., Ltd. (note) (上海市龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Sichuan Logan Construction Co., Ltd. (note) (四川龍光建設工程有限公司)	RMB Nil	91%	–	100%	Property construction
Nanning Logan Jiarun Property Development Co., Ltd. (note) (南寧市龍光佳潤房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development
Shenzhen Logan Qianhai Equity Investment Co., Ltd. (note) (深圳市龍光前海股權投資 有限公司)	RMB10,000,000	100%	–	100%	Equity investment
Shenzhen Logan Chuncheng Investment Development Co., Ltd. (note) (深圳市龍光春城投資發展有限公司)	RMB10,000,000	62%	–	62%	Investment holding and provision of consultancy services
Shantou Logan Hongjing Property Co., Ltd. (note) (汕頭市龍光宏璟房地產有限公司)	RMB Nil	100%	–	100%	Property development
Huizhou Logan Business Management Co., Ltd. (note) (惠州市龍光商業管理有限公司)	RMB Nil	100%	–	100%	Provision of management services

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

12 Investments in Subsidiaries (Continued)

		Proportion of ownership interest			
Name of subsidiaries	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiary**	**Principal activities**
Zhuhai Longtai Property Development Co., Ltd. (note) (珠海市龍泰房地產開發有限公司)	RMB10,000,000	51%	–	51%	Property development and investment
Zhuhai Bonded Area Taihongshang Technology Co., Ltd. (note) (珠海保税區台宏商科技有限公司)	RMB35,242,000	100%	–	100%	Property leasing, storage and trading
Zhuhai Bonded Area Tianmu International Trade Co., Ltd. (note) (珠海保税區天牧國際貿易有限公司)	RMB5,000,000	100%	–	100%	Property leasing, storage and trading
Huizhou Manha Property Development Co., Ltd. (note) (惠州市曼哈房地產開發有限公司)	RMB30,000,000	100%	–	100%	Property development
Huizhou Lvgem Property Development Co., Ltd. (note) (惠州市綠景房地產開發有限公司)	RMB20,750,000	100%	–	100%	Property development

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

The following table lists out the information relating to Shenzhen Jinjun Property Co., Ltd. ("Shenzhen Jinjun"), Shenzhen Logan Junjing Property Development Co., Ltd. ("Shenzhen Logan Junjing"), and Huizhou Daya Bay Dongzhen Property Co., Ltd. ("Huizhou Dongzhen"), the subsidiaries of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Shenzhen Jinjun (Note (i))		Shenzhen Logan Junjing (Note (ii))		Huizhou Dongzhen (Note (ii))	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
NCI percentage	0%	49%	49%	49%	10%	0%
Current assets	6,911,267	8,074,701	11,033,637	8,046,019	12,913,515	3,991,223
Non-current assets	358,373	5	3,996,543	–	1,635,161	530,395
Current liabilities	(1,867,299)	(3,421,169)	(1,183,581)	(2,438,249)	(7,382,401)	(2,878,712)
Non-current liabilities	(1,664,246)	(2,600,000)	(2,822,648)	–	(972,336)	(350,000)
Net assets	3,738,095	2,053,537	11,023,951	5,607,770	6,193,939	1,292,906
Carrying amount of NCI	–	1,007,213	5,401,741	2,798,908	604,780	–
Revenue	7,554,363	–	–	–	1,616,800	4,902,722
Profit/(loss) for the year	1,684,558	(43,573)	1,230,271	(2,230)	765,071	1,035,028
Total comprehensive income	1,684,558	(43,573)	1,230,271	(2,230)	765,071	1,035,028
(Loss)/profit allocated to NCI	(9,324)	(21,351)	602,833	(1,093)	55,269	–
Cash inflow/(outflow) from operating activities	2,538,801	(3,731,921)	(9,831,725)	(922)	(3,053,339)	2,276,988
Cash (outflow)/inflow from investing activities	(1,303)	1	–	–	(52)	(5)
Cash (outflow)/inflow from financing activities	(1,175,717)	2,371,474	7,984,272	2,782	3,567,557	(1,920,157)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

(i) During the year ended 31 December 2016, the Group acquired additional 49% equity interests in Shenzhen Jinjun from Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd.* (深圳平安大華滙通財富管理有限公司) ("Pingan Dahua"), the non-controlling interest of Shenzhen Jinjun at a consideration of RMB2,086,288,000 (see note 32(i)).

* The English translation of the name is for reference only. The official name of the entity is in Chinese.

(ii) Based on the corporative intention of the Group, the two subsidiaries of the Group, Shenzhen Logan Junjing and Huizhou Dongzhen, entered into the agreements and supplementary agreements of cooperation framework, capital contribution agreements, the equity forward repurchase agreements (the "Project Cooperation Agreements") with Pingan Dahua, pursuant to which Pingan Dahua has made capital contributions to Shenzhen Logan Junjing and Huizhou Dongzhen and has revised the business registration information. As at 31 December 2016, Pingan Dahua contributed a total of RMB4,800,000,000 and RMB3,960,000,000 to Shenzhen Logan Junjing and Huizhou Dongzhen respectively (2015: RMB2,800,000,000 and RMB Nil, respectively) and the Group has accounted the contribution made by Pingan Dahua as the amount of other reserves within controlling shareholders' interests and non-controlling interests.

The Project Cooperation Agreements have specified that Shenzhen Logan Junjing and Huizhou Dongzhen have the option to repurchase with preemption the part or all of the equity held by Pingan Dahua. If Shenzhen Logan Junjing and Huizhou Dongzhen do not exercise the options, Pingan Dahua can transfer the equity to third party. Besides that, the Project Cooperation Agreements also have specified that Shenzhen Logan Junjing and Huizhou Dongzhen should repurchase the equity from Pingan Dahua in no later than 2 or 3 years respectively. If Shenzhen Logan Junjing and Huizhou Dongzhen exercise the preemption rights, then the obligation of repurchase will not be triggered. The Group believe that the arrangement was an arm's length commercial decision as well as common market practice. Also the Group is probable and able to exercise its preemption rights.

As there are unclear terms existed in the agreements, the Group has reaffirmed the commercial substance with Pingan Dahua. And the Group has engaged two reputable PRC law firms to express their opinion reaffirming the arrangement was an equity investments.

The Group believe that, based on the Project Cooperation Agreements signed off between the Group and Pingan Dahua and the rights and obligations of both sides stipulated in the agreements, the capital contributions made by Pingan Dahua to Shenzhen Logan Junjing and Huizhou Dongzhen can be accounted for as equity investments on both accounting and legal treatments, thus the Group has disclosed the capital contributions made by Pingan Dahua as non-controlling interest and other reserves and the accounting for these transactions as equity transactions has been consistent with the requirement of the Group's accounting policies.

13 INTEREST IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Investment cost	**7,500**	–
Share of profit of an associate	**31,723**	–
Elimination of downstream transactions	**(39,223)**	–
	–	–
Amount due from an associate (note)	**3,019,480**	–
	3,019,480	–

Note: The amount due from an associate is unsecured and has no fixed term of repayment but is not expected to be settled within one year. As at 31 December 2016 it includes an amount of RMB2,500,000,000 (2015: RMB Nil) which is bearing fixed interest rate of 5.8%, unsecured and repayable on demand.

The amount due from an associate is for the acquisition of land where the Group is responsible for providing all funding.

The following list contains the particulars of a material associate, which is an unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the company**	**Held by a subsidiary**	**Principal activity**
Shenzhen Kaifeng Industrial Co.,Ltd. ("Shenzhen Kaifeng") (note) (深圳市凱豐實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB15,000,000	50%	–	50%	Property development

Note: The English translation of the name is for reference only. The official name of the entity is in Chinese.

The directors consider that the Group can only exercise significant influence over Shenzhen Kaifeng based on its board composition, and accordingly it is classified as an associate of the Group. The associate is accounted for using the equity method in the consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

13 Interest in an Associate (continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	2016 RMB'000
Gross amounts of the associate	
Current assets	12,823,418
Non-current assets	2,301,833
Current liabilities	(3,048,305)
Non-current liabilities (note)	(11,998,500)
Equity	78,446
Revenue	–
Profit for the year	63,446
Other comprehensive income	–
Total comprehensive income	63,446
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	78,446
Group's effective interest	50%
Group's share of net assets of the associate	39,223
Elimination of interest income	(35,931)
Elimination of other downstream transaction	(3,292)
Carrying amount in the consolidated financial statements	–

Note: This represented an entrusted loan of RMB11,998,500,000 from a wealth management company, in which Shenzhen Tengyao Industrial Co., Ltd., a joint venture of the Group, had invested RMB6,000,000,000 to a wealth management plan managed by that company. The entrusted loan is secured by a piece of land owned by the above associate.

14 INTERESTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Investment cost	**100,200**	–
Share of losses of joint ventures	**(6,137)**	–
Elimination of downstream transactions	**(29,818)**	–
	64,245	–
Amounts due from joint ventures (note)	**12,320,588**	–
	12,384,833	–

Note: The amounts due from joint ventures are unsecured and have no fixed term of repayment but are not expected to be settled within one year. As at 31 December 2016 it includes amounts of RMB6,440,170,000 (2015: RMB Nil) which are bearing floating or fixed interest rate ranged from 3.4% to 7.3%.

The amounts due from joint ventures are for the acquisition of land where the Group is responsible for providing all funding.

To address increasing land premium in public bidding, the Group started in 2016 to secure land by teaming up with resourceful joint venture partners. These joint ventures are engaged in urban development projects in Shenzhen and the nearby cities. Included in the amounts due from joint ventures of approximately RMB900 million was applied by the joint ventures to fund the costs for the acquisition of certain urbanization projects.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

14 Interests in Joint Ventures (continued)

Details of the Group's interest in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Shenzhen Runjing Industrial Co., Ltd. ("Shenzhen Runjing") (note) (深圳市潤璟實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB100,000,000	50%	–	50%	Property development
Shenzhen Tengyao Industrial Co., Ltd. ("Shenzhen Tengyao") (note) (深圳市騰耀實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB20,000,000	50%	–	50%	Property development
Shenzhen Logan Mingjun Property Co., Ltd. ("Shenzhen Logan Mingjun") (note) (深圳市龍光銘駿房地產有限公司)	Incorporated	People's Republic of China	Registered capital RMB20,000,000	50%	–	50%	Property development
Foshan Logan Junjing Property Co., Ltd. ("Foshan Logan Junjing") (note)* (佛山市龍光駿景房地產有限公司)	Incorporated	People's Republic of China	Registered capital RMB21,000,000	50%	–	50%	Property development
Shenzhen Yingshenglong Investment Co., Ltd. ("Shenzhen Yingshenglong") (note) (深圳市盈升隆投資有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	49%	–	49%	Property development
Shenzhen Yingrui Industrial Co., Ltd. ("Shenzhen Yingrui") (note) (深圳市盈睿實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	50%	–	50%	Property development

(Expressed in Renminbi)

14 INTERESTS IN JOINTS VENTURES (CONTINUED)

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Shenzhen Huiyi Investment Co., Ltd. ("Shenzhen Huiyi") (note) (深圳市惠益投資有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	50%	–	50%	Property development
Shenzhen Yurongshun Industrial Co., Ltd. ("Shenzhen Yurongshun") (note) (深圳市裕榮順實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	50%	–	50%	Property development
Shenzhen Juncheng Property Co., Ltd. ("Shenzhen Juncheng") (note) (深圳市駿誠房地產有限公司)	Incorporated	People's Republic of China	Registered capital RMB20,000,000	49%	–	49%	Property development
Shenzhen Baoxing Property Co., Ltd. ("Shenzhen Baoxing")(note) (深圳市寶興房地產有限公司)	Incorporated	People's Republic of China	Registered capital RMB20,000,000	50%	–	50%	Property development

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

* In 2016, the Group entered into a cooperation agreement with an independent third party to jointly develop the Foshan Dafu Village Project ("the Project"). The Group and the third party are developing the Project independently in operation and management based on the division of the land according to the cooperation agreement.

The Group shares control in the above entities with other shareholders, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

14 Interests in Joint Ventures (Continued)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

	2016 RMB'000
Gross amounts of Shenzhen Runjing	
Current assets	1,012,243
Non-current assets	1,863,748
Current liabilities	(1,699,454)
Non-current liabilities	(1,080,000)
Equity	96,537
Included in the above assets and liabilities:	
Cash and cash equivalents	1,327
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	1,080,000
Revenue	–
Loss for the year	(3,463)
Other comprehensive income	–
Total comprehensive income	(3,463)
Included in the above profit:	
Depreciation and amortisation	–
Interest income	108
Interest expense	83
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Runjing	
Gross amounts of Shenzhen Runjing's net assets	96,537
Group's effective interest	50%
Group's share of Shenzhen Runjing's net assets	48,269
Carrying amount in the consolidated financial statements	48,269

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Shenzhen Tengyao	
Current assets	7,260,427
Non-current assets	252,324
Current liabilities	(7,492,709)
Non-current liabilities	–
Equity	20,042
Included in the above assets and liabilities:	
Cash and cash equivalents	1,427
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Profit for the year	42
Other comprehensive income	–
Total comprehensive income	42
Included in the above profit:	
Depreciation and amortisation	–
Interest income	81
Interest expense	–
Income tax expense	16
Reconciled to the Group's interest in Shenzhen Tengyao	
Gross amounts of Shenzhen Tengyao's net assets	20,042
Group's effective interest	50%
Group's share of Shenzhen Tengyao's net assets	10,021
Elimination of interest income	(10,021)
Carrying amount in the consolidated financial statements	–

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

14 Interests in Joint Ventures (Continued)

	2016 RMB'000
Gross amounts of Shenzhen Logan Mingjun	
Current assets	102,006
Non-current assets	250,000
Current liabilities	(332,492)
Non-current liabilities	–
Equity	19,514
Included in the above assets and liabilities:	
Cash and cash equivalents	9,583
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Loss for the year	(486)
Other comprehensive income	–
Total comprehensive income	(486)
Included in the above loss:	
Depreciation and amortisation	–
Interest income	27
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Logan Mingjun	
Gross amounts of Shenzhen Logan Mingjun's net assets	19,514
Group's effective interest	50%
Group's share of Shenzhen Logan Mingjun's net assets	9,757
Carrying amount in the consolidated financial statements	9,757

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Foshan Logan Junjing	
Current assets	2,625,273
Non-current assets	4
Current liabilities	(963,556)
Non-current liabilities	(1,642,000)
Equity	19,721
Included in the above assets and liabilities:	
Cash and cash equivalents	16,009
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	1,642,000
Revenue	–
Loss for the year	(1,278)
Other comprehensive income	–
Total comprehensive income	(1,278)
Included in the above loss:	
Depreciation and amortisation	–
Interest income	40
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Foshan Logan Junjing	
Gross amounts of Foshan Logan Junjing's net assets	19,721
Group's effective interest	50%
Group's share of Foshan Logan Junjing's net assets	9,861
Elimination of interest income	(2,633)
Elimination of other downstream transaction	(7,228)
Carrying amount in the consolidated financial statements	–

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

14 Interests in Joint Ventures (Continued)

	2016 RMB'000
Gross amounts of Shenzhen Yingshenglong	
Current assets	964,039
Non-current assets	54,000
Current liabilities	(1,007,981)
Non-current liabilities	–
Equity	10,058
Included in the above assets and liabilities:	
Cash and cash equivalents	10,325
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Profit for the year	58
Other comprehensive income	–
Total comprehensive income	58
Included in the above profit:	
Depreciation and amortisation	–
Interest income	62
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Yingshenglong	
Gross amounts of Shenzhen Yingshenglong's net assets	10,058
Group's effective interest	49%
Group's share of Shenzhen Yingshenglong's net assets	4,928
Elimination of interest income	(4,928)
Carrying amount in the consolidated financial statements	–

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Shenzhen Yingrui	
Current assets	1,966,374
Non-current assets	45,000
Current liabilities	(1,211,371)
Non-current liabilities	(800,000)
Equity	3
Included in the above assets and liabilities:	
Cash and cash equivalents	28
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	800,000
Revenue	–
Profit for the year	3
Other comprehensive income	–
Total comprehensive income	3
Included in the above profit:	
Depreciation and amortisation	–
Interest income	4
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Yingrui	
Gross amounts of Shenzhen Yingrui's net assets	3
Group's effective interest	50%
Group's share of Shenzhen Yingrui's net assets	2
Elimination of interest income	(2)
Carrying amount in the consolidated financial statements	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Shenzhen Huiyi	
Current assets	2,334,813
Non-current assets	10,000
Current liabilities	(2,334,801)
Non-current liabilities	–
Equity	10,012
Included in the above assets and liabilities:	
Cash and cash equivalents	10,932
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Profit for the year	12
Other comprehensive income	–
Total comprehensive income	12
Included in the above profit:	
Depreciation and amortisation	–
Interest income	12
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Huiyi	
Gross amounts of Shenzhen Huiyi's net assets	10,012
Group's effective interest	50%
Group's share of Shenzhen Huiyi's net assets	5,006
Elimination of interest income	(5,006)
Carrying amount in the consolidated financial statements	–

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Shenzhen Yurongshun	
Current assets	489,541
Non-current assets	–
Current liabilities	(489,540)
Non-current liabilities	–
Equity	1
Included in the above assets and liabilities:	
Cash and cash equivalents	31
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Profit for the year	1
Other comprehensive income	–
Total comprehensive income	1
Included in the above profit:	
Depreciation and amortisation	–
Interest income	1
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Yurongshun	
Gross amounts of Shenzhen Yurongshun's net assets	1
Group's effective interest	50%
Group's share of Shenzhen Yurongshun's net assets	1
Carrying amount in the consolidated financial statements	1

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

14 Interests in Joint Ventures (continued)

	2016 RMB'000
Gross amounts of Shenzhen Juncheng	
Current assets	480,740
Non-current assets	–
Current liabilities	(468,050)
Non-current liabilities	–
Equity	12,690
Included in the above assets and liabilities:	
Cash and cash equivalents	316,878
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Loss for the year	(7,309)
Other comprehensive income	–
Total comprehensive income	(7,309)
Included in the above loss:	
Depreciation and amortisation	–
Interest income	93
Interest expense	1,004
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Juncheng	
Gross amounts of Shenzhen Juncheng's net assets	12,690
Group's effective interest	49%
Group's share of Shenzhen Juncheng's net assets	6,218
Carrying amount in the consolidated financial statements	6,218

14 INTERESTS IN JOINT VENTURES (CONTINUED)

Aggregate information of joint venture that is not individually material:

	2016 RMB'000
Carrying amount of individually immaterial joint venture in the consolidated financial statements	–
Amount of the Group's share of the joint venture's	
Loss for the year	(1)
Other comprehensive income	–
Total comprehensive income	(1)

15 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016 RMB'000	2015 RMB'000
Construction		
Raw materials	4,611	2,672
Property development		
Properties held for development for sale	1,976,817	1,863,770
Properties under development for sale	29,657,327	20,083,350
Completed properties for sale	8,558,344	6,248,552
	40,192,488	28,195,672
	40,197,099	28,198,344

(b) The analysis of carrying value of properties is as follows:

	2016 RMB'000	2015 RMB'000
In the PRC		
– under long leases	40,192,488	28,195,672
Including:		
– Properties expected to be recovered after more than one year	27,423,100	20,156,410

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

15 Inventories (Continued)

(c) The Group's certain properties held for development for sale, properties under development for sale and completed properties for sale were pledged against the Group's bank and other loans, details of which are set out in note 21.

16 Trade and Other Receivables and Prepayments

	2016 RMB'000	2015 RMB'000
Trade receivables (note (i))	**129,292**	96,181
Prepayments and other receivables	**1,742,443**	1,291,029
Land deposits (note (v))	**725,620**	8,348,721
Amounts due from related companies (note (vi))	**140,944**	166,811
Amount due from a non-controlling interest (note (vi))	**14**	86,288
Amount due from an associate (note(vii))	**14,320**	–
Amounts due from joint ventures (note(vii))	**55,563**	–
Derivative financial instruments:		
– Senior notes redemption call options (note 22)	**135,161**	36,692
	2,943,357	10,025,722

Notes:

(i) As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Current or less than 1 month overdue	**94,273**	61,207
More than 1 month overdue and up to 3 months overdue	**149**	3
More than 3 months overdue and up to 6 months overdue	**5,064**	–
More than 6 months overdue and up to 1 year overdue	**11,272**	25,187
More than 1 year overdue	**18,534**	9,784
	129,292	96,181

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Notes: (continued)

(ii) Receivables which were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables which were overdue but not impaired relate to independent customers, for which have a good track record of trading with the Group or sufficient rental deposits are held to cover potential exposure to credit risk. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

(iii) The Group's credit policy is set out in note 25(a).

(iv) All of the trade and other receivables are expected to be recovered within one year.

(v) During the year ended 31 December 2015, the Group entered into four land grant contracts for acquisition of the land in the PRC. As at 31 December 2015, a total consideration of RMB8,348,721,000 was paid and recognised as deposits for the acquisition of those pieces of land. During the year ended 31 December 2016, the acquisition of three out of those pieces of the land was completed and respective land use right certificates were obtained.

During the year ended 31 December 2016, the Group entered into three land grant contracts for acquisition of the land in the PRC and as at 31 December 2016, a total consideration of RMB725,620,000 was paid and recognised as deposit for the acquisition of the land.

(vi) The amounts due from related companies and a non-controlling interest are interest-free, unsecured and recoverable on demand.

(vii) The amounts due from an associate and joint ventures as at 31 December 2016 are unsecured, interest free and expected to be recovered within one year.

17 ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

In 2014, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain offshore funding (i.e. in Hong Kong) primarily obtained from the issuance of senior notes has been used as a pledge against advances to onshore (i.e. in the PRC) for the Group's operating use in respect of its property development projects.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

17 Assets and Liabilities under Cross-Border Guarantee Arrangements (Continued)

Pursuant to these arrangements which are made in compliance with the relevant rules and regulations promulgated by the State Administration of Foreign Exchange, the Group's subsidiaries in Hong Kong deposited funds in the relevant financial institutions, which in turn either through its related companies or business partners in the PRC advanced the same amount of funds to the Group's subsidiaries in the PRC. The net cost of such arrangements is 2% (2015: 2%) per annum of the total funds advanced. The pledge of the Hong Kong funds deposited with such financial institutions had been released upon the settlement of the advances in 2016, detailed as follows:

	2016 RMB'000	2015 RMB'000
Assets under cross-border guarantee arrangements		
– included as current assets	–	286,600
Liabilities under cross-border guarantee arrangements		
– included as current liabilities	–	(286,600)
	–	–

18 Restricted and Pledged Deposits

	2016 RMB'000	2015 RMB'000
Restricted deposits (note i)	360,288	351,849
Pledged deposits (note ii)	877,188	2,203,516
	1,237,476	2,555,365

(i) As at 31 December 2016, there was RMB360,288,000 in the Group's restricted deposits, which was limited to use in the development of certain property projects. In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amounts of presale proceeds from properties as guarantee deposits for the construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. Such restricted deposits will only be released after completion of the related pre-sold properties or issuance of the real estate ownership certificates, whichever is the earlier.

(ii) The Group's certain bank deposits which were pledged as securities in respect of:

	2016 RMB'000	2015 RMB'000
Bank and other loans	475,750	813,850
Mortgage loan facilities granted by the banks to purchasers of the Group's properties	401,438	89,666
Non-interest bearing payable to a financial institution	–	1,300,000
	877,188	2,203,516

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	**13,559,827**	8,635,258

The Group's cash and bank balances at 31 December 2016 include RMB11,790,545,000 (2015: RMB6,999,906,000) placed with banks in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit before taxation to cash generated from operations:

		2016 RMB'000	2015 RMB'000
Profit before taxation		**7,933,434**	4,173,510
Adjustments for:			
Interest income	5(a)	**(390,668)**	(93,070)
Finance costs	6(a)	**371,850**	36,215
Depreciation	6(c)	**37,265**	22,844
Net gain on disposal of other property, plant and equipment	5(b)	**(181)**	(175)
Net gain on disposal of subsidiaries	5(b)	**(878)**	–
Share of profit of an associate	13	**(31,723)**	–
Share of losses of joint ventures	14	**6,137**	–
Net increase in fair value of investment properties	11	**(2,681,903)**	(943,057)
Net increase in fair value of derivative financial instruments	22	**(81,720)**	(6,936)
Equity-settled share-based transactions	6(b)	**23,731**	49,842
Operating profit before changes in working capital		**5,185,344**	3,239,173
Increase in inventories and land deposits		**(11,660,452)**	(6,344,051)
Decrease/(increase) in trade and other receivables		**6,677,717**	(17,663)
Increase in trade and other payables		**6,500,153**	5,128,602
Cash generated from operations		**6,702,762**	2,006,061

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

20 Trade and Other Payables

	2016 RMB'000	2015 RMB'000
Trade payables (note (i))	**4,675,389**	4,046,221
Other payables and accrued charges	**1,241,533**	498,071
Customer deposits received	**12,368**	112,677
Rental and other deposits received	**99,511**	9,851
Receipts in advance	**16,049,478**	11,008,496
Amounts due to related companies (note (ii))	**497,488**	12
Amounts due to joint ventures (note (iii))	**1,343,560**	–
Non-interest bearing payable to a financial institution (note (iv))	**–**	1,293,801
	23,919,327	16,969,129

Notes:

(i) At the end of the reporting period, the ageing analysis of trade payables, based on invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month or on demand	**2,866,163**	2,274,297
More than 1 month but within 3 months	**269,849**	351,249
More than 3 months but within 6 months	**391,516**	464,546
More than 6 months but within 1 year	**392,494**	628,771
More than 1 year	**755,367**	327,358
	4,675,389	4,046,221

(ii) The amounts due to related companies are interest-free, unsecured and repayable on demand.

(iii) The amounts due to joint ventures are unsecured, interest-free and repayable on demand.

(iv) The non-interest bearing payable to a financial institution at 31 December 2015 was interest-free, secured by a pledged deposit of RMB1,300,000,000 and fully repaid in 2016.

21 BANK AND OTHER LOANS

	2016 RMB'000	2015 RMB'000
Bank loans		
– Secured	5,219,809	8,764,105
– Unsecured	4,276,702	1,227,817
	9,496,511	9,991,922
Other loans		
– Secured	3,509,500	1,160,000
– Unsecured	2,072,000	10,000
	5,581,500	1,170,000
Unsecured corporate bonds (Note (i))	12,400,000	5,000,000
	27,478,011	16,161,922

Bank loans are repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	3,138,501	3,674,885
After 1 year but within 2 years	2,755,320	3,288,797
After 2 years but within 5 years	3,321,240	2,758,870
After 5 years	281,450	269,370
	6,358,010	6,317,037
	9,496,511	9,991,922

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

21 Bank and Other Loans (Continued)

Other loans as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	**232,000**	370,000
After 1 year but within 2 years	**1,670,000**	800,000
After 2 within 5 years	**3,679,500**	–
	5,581,500	1,170,000

At 31 December 2016, the Group's bank and other loans representing:

	2016 RMB'000	2015 RMB'000
Current	**3,370,501**	4,044,885
Non-current	**11,707,510**	7,117,037
	15,078,011	11,161,922

Notes:

(i) Corporate bonds

On 19 August 2015 and 27 August 2015 respectively, Shenzhen Logan Holdings Co., Ltd. ("Shenzhen Logan"), a company established in the PRC and a wholly-owned subsidiary of the Company, issued domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first and second tranche with a principal amount of RMB4,000,000,000 and RMB1,000,000,000 were fixed at 5% per annum and 4.77% per annum respectively. The terms of the first and second domestic corporate bonds were 5 years and 4 years. At the end of third year and second year, Shenzhen Logan shall be entitled to adjust the coupon rate of first and second domestic corporate bonds respectively and the bond holders shall be entitled to sell back the bonds.

On 13 January 2016 and 16 May 2016 respectively, Shenzhen Logan issued non-public domestic corporate bonds on Shanghai Stock Exchange. The coupon rates of the first and second tranche with a principal amount of RMB2,500,000,000 and RMB500,000,000 were fixed at 5.8% per annum and 5.2% per annum respectively. The terms of the first and second domestic corporate bonds were 3 years and 4 years. At the end of second year, Shenzhen Logan shall be entitled to adjust the coupon rate of first and second domestic corporate bonds respectively and the bond holders shall be entitled to sell back the bonds.

On 25 July 2016, Shenzhen Logan issued non-public domestic corporate bonds on Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB3,000,000,000 was 5.15% per annum. The terms of the domestic corporate bonds were 5 years. At the end of third year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and bond holders shall be entitled to sell back the bonds.

On 21 October 2016, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,400,000,000 was 3.4% per annum. The terms of the domestic corporate bonds were 5 years. At the end of third year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and bond holders shall be entitled to sell back the bonds.

21 BANK AND OTHER LOANS (CONTINUED)

Note: (continued)

(ii) The bank loans bear floating interest rate ranging from 3.25% to 8.05% (2015: 2.8% to 13.0%) per annum, and are secured by the following assets:

	2016 RMB'000	2015 RMB'000
Investment properties	**7,440,084**	3,898,609
Properties held for development for sale	**283,658**	202,150
Properties under development for sale	**13,919,639**	8,110,383
Completed properties for sale	**109,260**	1,051,776
Other land and building	**22,228**	22,655
Pledged deposits	**475,750**	813,850
	22,250,619	14,099,423

Note:

(i) The bank loans also secured by the Group's equity interest in certain subsidiaries.

(ii) At 31 December 2016, the amount of RMB4,014,084,000 (2015: RMB Nil) and RMB10,253,122,000 (2015: RMB Nil) of the investment property and properties under development for sale also secured for other loans.

(iii) All of the Group's banking facilities are subject to the fulfillment of covenants relating to the subsidiaries' certain financial ratios and properties pre-sale schedules, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants.

(iii) As at 31 December 2016, the Group has six bank loans with an aggregate carrying amount of RMB2,612,500,000 which are repayable in tranches from 1 September 2017 to 24 March 2019. However, the loans contain covenants stating that the Group should repay the loans in line with the cash collection schedules of the respective presale properties.

As at 31 December 2016, the Group has five bank loans with an aggregate carrying amount of RMB1,640,922,000 which are repayable in tranches from 20 October 2017 to 28 September 2019. However, the loans contain covenants stating that the Group or the relevant subsidiaries shall maintain the respective financial ratios at a specific level.

The Group exceeded the thresholds described above, and a total amount of RMB4,253,422,000 of the covenants relating to bank loans had been breached (2015: RMB Nil) as at 31 December 2016. However, management obtained waivers from the banks in December 2016. Accordingly RMB2,372,500,000 of the loans were not repayable on demand at 31 December 2016 and extended until original due dates, while an amount of RMB1,101,061,000 is reclassified to current liabilities and a total amount of RMB1,880,922,000 is represented as current liabilities as at 31 December 2016.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

21 Bank and Other Loans (Continued)

Note: (continued)

(iv) The other loans are borrowed from other financial institutions, bear interest rate ranging from 4.99% to 12.00% (2015: 6.13% to 11.50%) per annum, and are secured by the following assets:

	2016 RMB'000	2015 RMB'000
Investment properties	**4,014,084**	–
Properties held for development for sale	**248,037**	–
Properties under development for sale	**11,541,695**	1,440,121
Completed properties for sale	**–**	62,907
	15,803,816	1,503,028

Notes:

(i) The other loans also secured by the Group's equity interest in certain subsidiaries.

(ii) At 31 December 2016, the amount of RMB4,014,084,000 (2015: RMB Nil) and RMB10,253,122,000 (2015: RMB Nil) of the investment property and properties under development for sale also secured for bank loans.

(v) Certain bank loan at 31 December 2016 amounted to RMB538,050,000 (2015: RMB769,000,000) is guaranteed by a related company and Mr. Kei.

22 Senior Notes

Liability component of the senior notes:

	2016 RMB'000	2015 RMB'000
US$300m Senior Notes (note (i))	**2,093,304**	1,955,804
US$250m Senior Notes (note (ii))	**1,747,637**	1,632,916
US$260m Senior Notes (note (iii))	**1,867,585**	–
	5,708,526	3,588,720

Notes:

(i) On 28 May 2014, the Company issued senior notes with principal amount of US$300,000,000 due in 2019 ("US$300m Senior Notes"). The senior notes are interest bearing at 11.25% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 4 June 2019. At any time and from time to time before the maturity date, the Company may at its option redeem the senior notes, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

(ii) On 2 December 2014, the Company issued another senior notes with principal amount of US$250,000,000 due in 2017("US$250m Senior Notes"). The senior notes are interest bearing at 9.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 8 December 2017. At any time and from time to time before the maturity date, the Company may at its option redeem the senior notes, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

22 SENIOR NOTES (CONTINUED)

Notes: (continued)

(iii) On 19 January 2016, the Company issued another senior notes with principal amount of US$260,000,000 due in 2020 ("US$260m Senior Notes"). The senior notes are interest bearing at 7.70% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 19 January 2020. At any time and from time to time on or after 19 January 2019, the Company may at its option redeem the senior notes, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

(iv) The movements of senior notes are set out below:

	Liability component (note (v)) RMB'000	Redemption call options (notes (vi) and 16) RMB'000	Total RMB'000
US$300m Senior Notes			
At 1 January 2015	1,844,174	(18,943)	1,825,231
Interest and transaction cost amortised	213,848	–	213,848
Interest paid	(210,506)	–	(210,506)
Change in fair value	–	(13,161)	(13,161)
Exchange difference	108,288	(1,701)	106,587
At 31 December 2015	1,955,804	(33,805)	1,921,999
Interest and transaction cost amortised	232,126	–	232,126
Interest paid	(227,418)	–	(227,418)
Change in fair value	–	(90,475)	(90,475)
Exchange difference	132,792	(5,260)	127,532
At 31 December 2016	2,093,304	(129,540)	1,963,764
US$250m Senior Notes			
At 1 January 2015	1,539,672	(8,871)	1,530,801
Interest and transaction cost amortised	154,867	–	154,867
Interest paid	(152,032)	–	(152,032)
Change in fair value	–	6,225	6,225
Exchange difference	90,409	(241)	90,168
At 31 December 2015	1,632,916	(2,887)	1,630,029
Interest and transaction cost amortised	168,102	–	168,102
Interest paid	(164,246)	–	(164,246)
Change in fair value	–	2,589	2,589
Exchange difference	110,865	(111)	110,754
At 31 December 2016	1,747,637	(409)	1,747,228
US$260m Senior Notes			
Proceeds from issuance senior notes	1,695,124	(10,901)	1,684,223
Transaction costs	(1,976)	13	(1,963)
Net proceeds	1,693,148	(10,888)	1,682,260
Interest and transaction cost amortised	132,101	–	132,101
Interest paid	(67,450)	–	(67,450)
Change in fair value	–	6,166	6,166
Exchange difference	109,786	(490)	109,296
At 31 December 2016	1,867,585	(5,212)	1,862,373
Total:			
At 31 December 2016	5,708,526	(135,161)	5,573,365
At 31 December 2015	3,588,720	(36,692)	3,552,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

22 SENIOR NOTES (CONTINUED)

Notes: (continued)

At 31 December 2016, the Group's senior notes representing:

	Liability component (note (v)) RMB'000
– Current portion	1,747,637
– Non-current portion	3,960,889

(v) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives. The effective interest rates of the liability component of US$300m Senior Notes, US$250m Senior Notes and US$260m Senior Notes are 11.33%, 9.83% and 7.91% per annum respectively.

(vi) Redemption call options represent the fair value of the Company's option to early redeem the senior notes and are recorded as derivative financial instruments under "Trade and other receivables" (note 16). The assumptions applied in determining the fair value of the redemption call options at 31 December 2016 are set out in note 25(e).

23 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 29 May 2014, the Group granted share options to the Group's directors and employees (including certain senior managers or above and certain mid-level managers). The exercise of these share options would entitle the Group's directors and employees of the Group to subscribe for an aggregate of 25,480,000 shares (of which 4,950,000 shares are granted to Mr. Kei) and 164,610,000 shares of the Company respectively. The exercise price is HK$2.34 per share. Under the share option scheme, the share options granted to the directors and certain senior managers or above will be vested evenly over a period of four years starting from 29 May 2015 and ending on 28 May 2019, while the share options granted to certain mid-level managers will be vested evenly over a period of three years starting from 29 May 2015 and ending on 28 May 2018. These share options are exercisable within a period of six years from the date of grant (i.e. 29 May 2014) subject to the above vesting schedule. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On the same date (i.e. 29 May 2014), the board of directors resolved to grant to Mr. Kei another 8,170,000 share options to subscribe for the Company's shares (the "Additional Options") at the exercise price of HK$2.34 per share on the same terms as the share options granted on 29 May 2014 (see above). The Additional Options constituted a connected transaction to the Company under the Listing Rules and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company (the "EGM") held on 31 July 2014.

No options were exercised during the year ended 31 December 2016 (2015: Nil).

23 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

The weighted average value per share option granted during the period estimated at the date of grant using binomial model was HK$1.08. The weighted average assumptions used are as follows:

Fair value at measurement date	HK$1.08
Share price	HK$2.34
Exercise price	HK$2.34
Expected volatility	55.667%
Option life	6 years
Dividend yield	0%
Risk-free interest rate	1.26%

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had 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.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

24 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 year are set out below:

Company

	Share capital (note 24(c)) RMB'000	Share premium (note 24(d)(i)) RMB'000	Share-based compensation reserve (note 24(d)(v)) RMB'000	Exchange reserves (note 24(d)(ii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	393,115	825,019	46,890	7,869	(585,921)	686,972
Changes in equity for 2015:						
Loss and total comprehensive income for the year	–	–	–	14,781	(47,631)	(32,850)
Dividend declared (note 24(b)(ii))	–	–	–	–	(433,736)	(433,736)
Equity-settled share-based transactions (note 6(b))	–	–	49,842	–	–	49,842
Effect of forfeited and cancelled share options	–	–	(21,475)	–	21,475	–
Issuance of shares (note 24(c))	46,706	1,242,434	–	–	–	1,289,140
At 31 December 2015 and 1 January 2016	439,821	2,067,453	75,257	22,650	(1,045,813)	1,559,368
Changes in equity for 2016:						
Profit and total comprehensive income for the year	–	–	–	107,083	707	107,790
Repurchase of own shares	(5,230)	(168,009)	–	–	–	(173,239)
Dividend declared (note 24(b)(ii))	–	–	–	–	(694,998)	(694,998)
Equity-settled share-based transactions (note 6(b))	–	–	23,731	–	–	23,731
Effect of forfeited and cancelled share options (note 23)	–	–	(3,926)	–	3,926	–
At 31 December 2016	434,591	1,899,444	95,062	129,733	(1,736,178)	822,652

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2016 RMB'000	2015 RMB'000
Proposed final dividend and special dividend – HK22 cents and HK3 cents respectively (equivalent to approximately RMB20 cents and RMB3 cents respectively) per share (2015: HK14 cents and nil (equivalent to approximately RMB12 cents and nil) per share)	1,229,115	653,138

The proposed final dividend declared to shareholders of the Company in 2016 is subject to approval at the AGM. The 2016 final dividend proposed to be declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved during the period, of HK 14 cents (equivalent to RMB13 cents) per ordinary share (2015: HK11 cents (equivalent to RMB8.7 cents)) per ordinary share	694,998	433,736

Dividends of HK$776,959,000 (equivalent to RMB694,998,000) (2015: HK$550,000,000 (equivalent to RMB433,736,000)) was paid by 31 December 2016.

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Issued share capital

	2016		2015	
	No. of shares '000	HK$'000	No. of shares '000	HK$'000
Ordinary shares, issued and fully paid:				
At 1 January	5,557,554	555,755	5,000,000	500,000
Issuance of shares	–	–	557,554	55,755
Shares repurchased (note ii)	(61,232)	(6,123)	–	–
At 31 December	5,496,322	549,632	5,557,554	555,755
RMB'000 equivalent at 31 December		434,591		439,821

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.

The Company was incorporated on 14 May 2010 with authorised capital of HK$380,000 divided into 3,800,000 of HK$0.1 each. 1 fully paid share of HK$0.1 was allotted and issued to Ms. Kei.

On 2 November 2012, the Company allotted and issued at par (i.e. HK$0.1 per ordinary share) an aggregate of 999 shares, out of which 939 shares were allotted and issued to Ms. Kei and 20 shares were allotted to each of Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, all of which are companies incorporated in the British Virgin Islands and are wholly owned by Ms. Kei.

Upon the completion of the Reorganisation on 1 April 2013, the Company became the holding company of the Group.

24 Capital, Reserves and Dividends (continued)

(c) Share capital (continued)

(i) Issued share capital (continued)

As at 31 December 2012, except for Guangdong Modern Construction Design and Consultation Co., Ltd. and Foshan Logan Sunshine Seaward Property Co., Ltd., all the companies comprising the Group were direct or indirect subsidiaries of the Company. The share capital in the consolidated statement of financial position as at 31 December 2012 represented the Company's share capital of HK$100. The paid-in capital of Guangdong Modern Construction Design and Consultation Co., Ltd. and Foshan Logan Sunshine Seaward Property Co., Ltd. totalling RMB12,930,000 were included in the other reserve.

Pursuant to written resolutions of the Company's shareholders passed on 18 November 2013, the Company's authorised ordinary share capital was increased to HK$10,000,000,000 by the creation of an additional 99,996,200,000 shares of HK$0.1 each, ranking pari passu with the existing shares of the Company in all respects.

Capitalisation issue

Pursuant to written resolutions of the Company's shareholders passed on 18 November 2013, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the global offering set out in the Prospectus, the directors had authorised to allot and issue a total of 4,249,999,000 shares, by way of capitalisation of the sum of HK$424,999,900 (equivalent to RMB334,150,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

Issuance of shares under global initial public offering ("IPO")

On 20 December 2013, the Company was successfully listed on the Stock Exchange following the completion of its IPO of 750,000,000 shares of HK$0.1 each issued at a price of HK$2.1 per share. Proceeds of HK$75,000,000 (equivalent to RMB58,965,000), representing the par value of shares issued, were credited to the Company's share capital. The remaining proceeds (net of listing expenses) of HK$1,474,393,000 (equivalent to RMB1,159,169,000) were credited to the share premium account.

Issuance of shares during 2015

On 25 November 2015 and 3 December 2015, a total of 557,554,000 shares with of HK$0.1 each were issued at a price of HK$2.78 per share. Proceeds of HK$55,755,000 (equivalent to RMB46,706,000), representing the par value of shares issued, were credited to the Company's share capital. The remaining proceeds (net of transaction costs) of HK$1,483,150,000 (equivalent to RMB1,242,434,000) were credited to the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Repurchase and cancellation of own shares

During the reporting period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased and cancelled	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		RMB	RMB	RMB'000
January 2016	3,072,000	1.91	1.77	5,760
February 2016	528,000	1.90	1.81	1,003
February 2016	56,000	1.92	1.86	108
March 2016	1,056,000	2.13	2.03	2,233
April 2016	3,134,000	2.51	2.36	7,725
August 2016	5,974,000	2.84	2.73	17,132
August 2016	4,004,000	2.91	2.83	11,909
August 2016	3,374,000	2.91	2.85	10,101
August 2016	5,214,000	2.90	2.74	15,454
August 2016	66,000	2.94	2.84	199
September 2016	4,160,000	2.92	2.86	12,484
October 2016	7,920,000	2.97	2.75	23,095
October 2016	1,760,000	2.87	2.78	5,086
October 2016	2,404,000	2.87	2.78	6,962
October 2016	2,840,000	2.86	2.78	8,317
October 2016	3,016,000	2.89	2.83	8,871
October 2016	5,136,000	2.93	2.80	15,203
October 2016	2,580,000	2.95	2.86	7,684
October 2016	546,000	2.91	2.81	1,577
October 2016	1,120,000	2.84	2.78	3,209
November 2016	1,150,000	2.77	2.71	3,235
November 2016	1,062,000	2.73	2.66	2,937
November 2016	800,000	2.73	2.69	2,235
November 2016	260,000	2.77	2.69	720
Total	61,232,000			173,239

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the fair value of the shares repurchased and cancelled of HK$195,259,000 (equivalent to approximately RMB173,239,000) was transferred out from share capital and share premium.

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(w).

(iii) PRC statutory reserves

PRC statutory reserves include general reserve, statutory surplus reserve and statutory public reserve fund.

General reserve

The general reserve is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

Statutory surplus reserve

According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iv) Other reserve

At 1 January 2016, the other reserve represents:

(1) The difference between the consideration paid arising from the Reorganisation and the paid-in capital of Shantou Jinfengyuen Realty Co., Ltd., Shantou Logan Realty Co., Ltd., Shantou Jiarun Property Co., Ltd. and Shenzhen Logan Holdings Co., Ltd.;

(2) The difference between the capital injection and paid-in capital of Shantou Jinfengyuen Realty Co., Ltd., Shantou Logan Realty Co., Ltd., Shenzhen Jinjun Property Co., Ltd. and Shenzhen Logan Junjing Property Development Co., Ltd..

(3) The difference between the consideration paid and carrying amount of non-controlling interest acquired arising from acquisition of additional interests of Foshan Nanhai Logan Realty Co., Ltd., Foshan Logan Realty Co., Ltd. and Shantou Logan Junjing Property Co.,Ltd..

During 2016, the movement of the other reserve represents:

(1) The difference between the capital injection and carrying amount of non-controlling interest produced arising from capital injection of Huizhou Daya Bay Dongzhen Property Co., Ltd..

(2) The difference between the consideration paid and carrying amount of non-controlling interest acquired arising from acquisition of additional interests of Shenzhen Jinjun Property Co., Ltd..

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option scheme as set out in note 23.

The share options lapsed due to the resignation of the certain mid-level managers. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the related share-based compensation reserve is transferred to retained profits.

(vi) Distributability of reserves

At 31 December 2016, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company was RMB292,999,000 (2015: RMB1,044,290,000). After the end of the reporting period, the directors proposed a final dividend and a special dividend of HK22 cents and HK3 cents respectively, equivalent to approximately RMB20 cents and RMB3 cents respectively (2015: HK14 cents and nil respectively, equivalent to approximately RMB12 cents and nil respectively) per share, amounting to RMB1,229,115,000 (2015: RMB653,138,000). This dividend has not been recognised as a liability at the end of the reporting period.

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) 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 and to maintain an optimal capital structure to reduce the cost of capital.

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 net debt to equity ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total interest bearing bank and other loans and senior notes less cash and cash equivalents and restricted and pledged deposits.

The adjusted net debt to equity ratio at 31 December 2016 and 2015 was as follows:

	2016 RMB'000	2015 RMB'000
Total bank loans	9,496,511	9,991,922
Total other loans	5,581,500	1,170,000
Senior notes	5,708,526	3,588,720
Corporate bonds	12,400,000	5,000,000
Non-interest bearing payable to a financial institution	–	1,293,801
	33,186,537	21,044,443
Less: Cash and cash equivalents	(13,559,827)	(8,635,258)
Restricted and pledged deposits	(1,237,476)	(2,555,365)
Net debt	18,389,234	9,853,820
Total equity	25,751,346	17,460,917
Net debt to equity ratio	71.4%	56.4%

As at 31 December 2016, Shenzhen Logan Holdings Co., Ltd, a wholly-owned subsidiary of the Company (established in the People's Republic of China) (the "Issuer"), has totally issued an amount of RMB12.4billion of corporate bonds, of which RMB7.4 billion are publicly issued (2015: RMB6.0 billion). According to Securities Law of the People's Republic of China, the accumulated bond balance constitutes no more than 40% of the net asset value of the Issuer. Other than the ratio, neither the Company nor any other of its subsidiaries are subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arise 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 limit exposure 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.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and receivable from construction contracts, which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which 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 can be required to pay:

	2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade payables	2,588,846	1,295,063	743,116	48,364	4,675,389	4,675,389
Other payables and accrued charges	1,241,533	–	–	–	1,241,533	1,241,533
Bank loans	3,619,051	3,051,707	3,528,603	351,731	10,551,092	9,496,511
Other loans	565,728	1,957,188	3,804,078	–	6,326,994	5,581,500
Corporate bonds	620,800	620,800	13,328,527	–	14,570,127	12,400,000
Senior notes	2,276,342	373,002	4,210,100	–	6,859,444	5,708,526
Amounts due to related companies	497,488	–	–	–	497,488	497,488
Amounts due to joint ventures	1,343,560	–	–	–	1,343,560	1,343,560
	12,753,348	7,297,760	25,614,424	400,095	46,065,627	40,944,507
Financial guarantees issued: – Maximum amount guaranteed (note 28)	9,806,196	–	–	–	9,806,196	

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

25 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(b) Liquidity risk (continued)

	2015					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade payables	3,718,865	144,358	182,998	–	4,046,221	4,046,221
Other payables and accrued charges	498,071	–	–	–	498,071	498,071
Bank loans	4,197,916	3,593,551	3,047,600	362,837	11,201,904	9,991,922
Other loans	459,559	801,973	–	–	1,261,532	1,170,000
Non-interest bearing payable to a financial institution	1,293,801	–	–	–	1,293,801	1,293,801
Liabilities under cross-border guarantee arrangements	300,893	–	–	–	300,893	286,600
Corporate bonds	247,700	247,700	5,605,378	–	6,100,778	5,000,000
Senior notes	385,694	2,007,496	2,274,973	–	4,668,163	3,588,720
Amounts due to related companies	12	–	–	–	12	12
	11,102,511	6,795,078	11,110,949	362,837	29,371,375	25,875,347
Financial guarantees issued: – Maximum amount guarantee (note 28)	8,156,977	–	–	–	8,156,977	

(c) Interest rate risk

The Group's interest rates risk arises primarily from cash and cash equivalents, restricted and pledged deposits and bank borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and restricted and 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 is disclosed in note 21 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB14,119,000 (2015: RMB71,856,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next end of the reporting period. The analysis is performed on the same basis for 2016.

(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 is exposed to foreign currency risk arising from the exposure of RMB against Hong Kong dollars as a result of its investment in the PRC and certain of the general and administrative expenses settled in Hong Kong dollars. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government. The Hong Kong holding companies which use RMB as functional currency holds lots of RMB, the exchange rate fluctuation between RMB and Hong Kong dollars results in large exchange gain or loss.

The Group's exposure at 31 December 2016 to currency risk also arise from the senior notes which are denominated at United States dollars. As Hong Kong dollars are pegged to United States dollars, the movement of exchange rate of Hong Kong dollars against United States dollars is considered insignificant.

(i) Exposure to currency

The following table details the Group's exposure at the end of the 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 purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

25 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(d) Currency risk (continued)

(i) Exposure to currency (continued)

	Exposure to foreign currencies (expressed in Renminbi)					
	2016			2015		
	Renminbi RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000
Trade and other receivables	–	77,535	–	–	38,115	–
Cash and cash equivalents	71,221	893,654	2,082,567	1,602,248	1,370,360	249,344
Trade and other payables	(494,000)	(15,733)	(6,980)	–	(51)	–
Bank loans	(50,859)	(649,414)	(511,508)	(47,628)	–	(897,994)
Senior notes	–	–	(5,708,526)	–	–	(3,588,721)
Net exposure arising from recognised assets and liabilities	(473,638)	306,042	(4,144,447)	1,554,620	1,408,424	(4,237,371)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity 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. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2016			2015		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
Renminbi	5%	(19,774)	–	5%	58,298	–
	(5%)	19,774	–	(5)%	(58,298)	–
Hong Kong Dollars	5%	–	12,777	5%	–	52,816
	(5%)	–	(12,777)	(5)%	–	(52,816)
United States Dollars	5%	–	(173,031)	5%	–	(158,901)
	(5%)	–	173,031	(5)%	–	158,901

25 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the end of the reporting periods for presentation purposes.

The sensitivity analysis assumes that the change foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis 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 2015.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's derivative financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) Financial assets measured at fair value (continued)

	Fair value at each end of the reporting period	Fair value measurements as at the end of each reporting period categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
At 31 December 2016				
Assets:				
– Senior notes redemption call options	135,161	–	–	135,161
At 31 December 2015				
Assets:				
– Senior notes redemption call options	36,692	–	–	36,692

During the year ended 31 December 2016 and 2015, 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 of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's derivative financial instruments were revalued as at 31 December 2016 (2015: all). The valuations were carried out by an independent firm of surveyors, APAC Asset Valuation and Consulting Limited. The Group's management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Senior note redemption call options	Residual method	Risk free rate	0.257% – 1.497% (2015: 0.409% – 1.406%)
		Option adjusted spread	3.078%-4.698% (2015: 5.953% – 6.107%)
		Discount rate	3.658%-6.195% (2015: 6.362% – 7.513%)

The fair values of derivative financial instruments are determined using the residual method by subtracting the fair value of the straight debt from the quoted market price of the notes at the date of valuation. The fair value measurement is negatively correlated to risk free rate, option adjusted spread and discount rate.

As at 31 December 2016 and 2015, it is estimated that with all other variables held constant, a decrease/increase in risk free rate, option adjusted spread and discount rate by 1% would not have material impact on the Group’s profit. The analysis is performed on the same basis for 2015.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2016 RMB’000	2015 RMB’000
At 1 January	36,692	27,814
Fair value at inception	10,888	–
Change in fair value	81,720	6,936
Exchange difference	5,861	1,942
At 31 December	135,161	36,692

The changes in fair values of derivative financial instruments are presented in “net increase in fair value of derivative financial instruments” in the consolidated statement of profit or loss.

(iii) 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 values as at 31 December 2015 and 2016 based on the nature or short-term maturity of these financial instruments.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

26 Commitments

Commitments outstanding at 31 December 2016 not provided for in the financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Contracted for	**5,593,891**	11,983,863
Authorised but not contracted for	**18,672,299**	21,096,818
	24,266,190	33,080,681

Capital commitments mainly related to development expenditure for the Group's properties under development and expenditure in respect of future investment and property development.

27 Significant Leasing Arrangements

(a) Lessor

The Group leases out a number of building facilities under operating leases, consisting primarily of retail shops attached to some property development projects and office space. The leases typically run for an initial period of 1 to 15 years, with an option to renew the leases after that date at which time all terms are renegotiated. Further details of the carrying value of the properties are contained in note 11.

The Group's total future minimum lease incomes under non-cancellable operating leases are receivable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**90,436**	80,301
After 1 year but within 5 years	**166,182**	176,235
After 5 years	**62,074**	68,283
	318,692	324,819

(b) Lessee

The Group leases office space under operating leases. The leases typically run for an initial period of 1 to 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.

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**9,556**	6,668
After 1 year but within 5 years	**3,380**	11,058
	12,936	17,726

28 CONTINGENT LIABILITIES

Guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties:

	2016 RMB'000	2015 RMB'000
Guarantees given to financial institutions for mortgages facilities granted to purchasers of the Group's properties	**9,806,196**	8,156,977

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 3% to 5% of the mortgage loans granted to buyers, with prescribed capped amount. Such guarantees usually last for 3 months, according to the relevant record of the Group.

The management does not consider that the Group will sustain a loss under these guarantees during the year under guarantee, as the Group has not applied for individual property ownership certificates for these buyers and can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to banks. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the buyers default payments to banks.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

29 Material Related Party Transactions

(a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the financial statements, major related party transactions entered by the Group during the year are follows:

	Note	2016 RMB'000	2015 RMB'000
Construction contracts income from related companies	(i)	**211,607**	116,280
Rental income from related companies	(ii)	**2,070**	–
Interest income from an associate and joint ventures	(iii)	**315,308**	–
Management service fee income from a related company	(iv)	**1,501**	700
Disposal of subsidiaries to joint ventures	(v)	**109,000**	–
Acquisition of subsidiary from the relative of the Chairman of the Company	(vi)	**(494,000)**	–
Acquisition of investment property from a related party	(vii)	**(22,775)**	–
Remuneration of key management personnel	(viii)	**(80,500)**	(40,856)

Notes:

(i) The Group was engaged for the construction projects of related companies.

(ii) The Group received rentals deriving from its investment properties from related companies.

(iii) This represented the gross interest income from the associate and joint ventures, which is before the elimination of interest between the Group and the associate or joint ventures. The Group has been providing funds to the associate and joint ventures. The advances are interest bearing, unsecured and have no fixed term of repayment (For details, please see notes 13 and note 14).

(iv) The Group provided management service to a related company.

(v) During the year ended 31 December 2016, the Group disposed 11 newly set-up subsidiaries to joint ventures of the Group. Please refer to note 33 for details.

29 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

Notes: (continued)

(vi) On 5 December 2016, the Group entered into an acquisition agreement with a relative of the Chairman of the Company. Please refer to note 31 for details.

(vii) The Group purchased an investment property from a related party.

(viii) Remuneration of key management personnel, including amounts paid to the directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	**80,500**	40,856
Post-employment benefits	**–**	–
	80,500	40,856

(b) Balances with related parties

	Note	2016 RMB'000	2015 RMB'000
Amount due from an associate (note)	13	**3,019,480**	–
Amounts due from joint ventures (note)	14	**12,320,588**	–
Amounts due from related companies	16	**140,944**	166,811
Amounts due from an associate and joint ventures	16	**69,883**	–
Amounts due to related companies	20	**(497,488)**	(12)
Amounts due to joint ventures	20	**(1,343,560)**	–
Guarantee provided by a related company and Mr. Kei.	21	**538,050**	769,000

Note: These amounts are included in interests in an associate and joint ventures which are disclosed in notes 13 and 14.

30 LOANS COVENANTS WAIVERS

As explained in note 21(iii), a total amount of RMB4,253,422,000 of the covenants relating to bank loans had been breached. The Group obtained RMB2,372,500,000 out of RMB4,253,422,000 of waivers of the breaches of covenants in December 2016. On the basis of its forecasts, management believes that the risk of the covenants being breached is low and the Group will continue as a going concern for the foreseeable future.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

31 Acquisition of Subsidiaries

On 5 December 2016, Jolly Gain Investments Limited ("Jolly Gain"), a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Yao Yaojia ("Mr. Yao", brother in law of the Chairman of the Company, Mr Kei) and Honk Jee Loong Holdings Company Limited ("HJL", wholly-owned by Mr. Yao). Pursuant to the agreement, Jolly Gain had agreed to acquire the entire issued share capital of Pak San Bay Investments Company Limited ("Pak San Bay"), from HJL at a consideration of RMB494 million. Pak San Bay (through its wholly-owned subsidiary (collectively "Pak San Bay Group")) in turn owned 75% interest in a property project in Guangdong. The transaction constituted a connected transaction to the Company under the Listing Rules and was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company (the "EGM") held on 5 December 2016. The transaction was completed on 31 December 2016.

This acquisition has been accounted for using the acquisition method. Pak San Bay Group was acquired so as to continue the expansion of the Group's property development operations.

	2016 RMB'000
Other property, plant and equipment	132
Inventories	1,252,790
Trade and other receivables	3,279
Cash and cash equivalents	55,418
Trade and other payables	(468,875)
Deferred tax liability recognised	(184,010)
Net identified assets and liabilities	658,734
Less: Non-controlling interest	(164,734)
	494,000
Bargain purchase arising on acquisition	–
Total consideration	494,000
Total consideration	494,000
Amount due to a related party	(494,000)
Total consideration paid	–
Cash and cash equivalents acquired	(55,418)
Net cash inflow arising from acquisition	55,418

On acquisition day, the book value of assets and liabilities acquired amounted to RMB79,911,000 and the fair value of assets and liabilities acquired amounted to RMB658,734,000.

32 Acquisition of Additional Interests in Subsidiaries

	2016 RMB'000
Consideration paid	2,000,000
Amounts due from non-controlling interests (note 16)	86,288
Others	5,145
Carrying amount of non-controlling interests acquired	(997,889)
Excess of consideration paid recognised in other reserve	1,093,544

During 2015 and 2016, the Group acquired additional interests in three subsidiaries from the non-controlling interests. Details of the transactions are as follows:

(i) Shenzhen Jinjun Property Co., Ltd. ("Shenzhen Jinjun")

On 26 December 2016, the Group acquired 49% equity interest in Shenzhen Jinjun from a non-controlling interest, Pingan Dahua, at a consideration of RMB2,086,288,000.

The excess of the consideration paid in respect of the acquisition of additional interests in the subsidiary over the carrying amount of the non-controlling interest of approximately RMB997,889,000 amounted to approximately RMB1,088,399,000 is recognised in other reserve in accordance with the accounting policy set out in note 2(d).

(ii) Foshan Logan Realty Co., Ltd. ("Foshan Logan")

On 10 December 2015, the Group entered into an equity transfer agreement with a non-controlling interest to acquire additional 49% equity interests in Foshan Logan at a consideration of approximately RMB217,754,000. Upon the completion of the above transaction, Foshan Logan became the Group's indirect wholly-owned subsidiary.

The excess of the consideration paid in respect of the acquisition of additional interests in the subsidiary of approximately RMB217,754,000 over the carrying amount of the non-controlling interest of approximately RMB94,561,000 amounted to approximately RMB123,193,000 is recognised in other reserve in accordance with the accounting policy set out in note 2(d).

(iii) Shantou Logan Junjing Property Co., Ltd. ("Shantou Logan")

On 31 December 2015, the Group entered into an equity transfer agreement with a non-controlling interest to acquire additional 49% equity interests in Shantou Logan at a consideration of approximately RMB1,312,776,000. Upon the completion of the above transaction, Shantou Logan became the Group's indirect wholly-owned subsidiary.

The excess of the consideration paid in respect of the acquisition of additional interests in the subsidiary over the carrying amount of the non-controlling interest of approximately RMB580,022,000 amounted to approximately RMB732,754,000 is recognised in other reserve in accordance with the accounting policy set out in note 2(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

32 ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES (CONTINUED)

(iv) Foshan Nanhai Logan Realty Co., Ltd. ("Foshan Nanhai")

On 13 November 2015, the Group entered into an equity transfer agreement with a non-controlling interest to acquire additional 49% equity interests in Foshan Nanhai at a consideration of approximately RMB552,367,000. Upon the completion of the above transaction, Foshan Nanhai became the Group's indirect wholly-owned subsidiary.

The excess of the consideration paid in respect of the acquisition of additional interests in the subsidiary of approximately RMB552,367,000 over the carrying amount of the non-controlling interest of approximately RMB286,950,000 amounted to approximately RMB265,417,000 is recognised in other reserve in accordance with the accounting policy set out in note 2(d).

33 DISPOSAL OF SUBSIDIARIES

During the year end 31 December 2016, the Group has disposed certain subsidiaries. Subsequent to the disposals, these entities are no longer subsidiaries of the Group and certain of these subsidiaries became joint ventures of the Group.

The effect of such disposals on the Group's assets and liabilities is set out below:

	RMB'000
Inventories	3,407
Trade and other receivables	708,417
Cash and cash equivalents	233,434
Trade and other payables	(816,136)
Net assets attributable to the Group disposed of	129,122
Less: Non-controlling interest	–
	129,122
Net gain on disposal of subsidiaries	878
Total consideration	130,000
Total consideration received, satisfied in cash	–
Cash and cash equivalents disposed of	(233,434)
Net cash outflow arising from disposals	(233,434)

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Plant and equipment		7,295	–
Investments in subsidiaries		10,211	10,211
		17,506	10,211
Current assets			
Prepayments and other receivables		4,740,722	5,536,466
Cash and cash equivalents		2,966,168	285,728
		7,706,890	5,822,194
Current liabilities			
Other payables		32,296	–
Bank loan		1,160,922	205,295
Senior notes		1,747,637	–
		2,940,855	205,295
Net current assets		4,766,035	5,616,899
Total assets less current liability		4,783,541	5,627,110
Non-current liabilities			
Bank loan		–	479,022
Senior notes		3,960,889	3,588,720
		3,960,889	4,067,742
NET ASSETS		822,652	1,559,368
CAPITAL AND RESERVES	24		
Share capital		434,591	439,821
Reserves		388,061	1,119,547
TOTAL EQUITY		822,652	1,559,368

Approved and authorised for issue by the board of directors on 30 March 2017.

Lai Zhuobin
Director

Xiao Xu
Director

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

35 Non-adjusting Events after the Reporting Period

(a) On 3 January 2017, the Company issued another senior notes with principal amount of US$200,000,000 due in 2022 ("US$200m Senior Notes"). The senior notes are interest bearing at 5.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 3 January 2022. At any time and from time to time before the maturity date, the Company may at its option redeem the senior notes, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

(b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 24(b).

(c) Shenzhen Logan Holdings Company Limited, a wholly-owned subsidiary of the Company (established in the People's Republic of China) has issued an Asset-backed securitization of an amount of RMB1,521 million for a term of three years after the reporting period. Under this assignment between the Group and the Specific Purpose Entity set up by a financial institution ("SPE") in the PRC, as and when the Group receives the sales proceeds from customers, the Group would remit any cash flows it collects on behalf of the SPE. On 25 January 2017, the securities under this ABS have been fully subscribed.

(d) On 22 March 2017, the Company and KWG Property Holding Limited ("KWG") have entered into a joint venture through the formation of Unicorn Bay Limited, a previously wholly-owned subsidiary ("the JV company"). Each of the Company and KWG owns 50% of the issued share capital of the JV Company.

The purpose of the JV Company is to develop the Ap Lei Chau Inland Lot No. 136 at Lee Nam Road, Ap Lei Chau, Hong Kong (the "Site") into a residential development which has a total land premium of HKD16,855,780,000.

36 Ultimate Controlling Party

At 31 December 2016, in the opinion of the directors of the Company, Ms. Kei, who is a non-executive director of the Company, is the ultimate controlling party of the Company.

(Expressed in Renminbi)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(b) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group preliminarily assesses that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(v). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 15, Revenue from contracts with customers (continued)

(a) Timing of revenue recognition (continued)

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 15, Revenue from contracts with customers (continued)

(b) Significant financing component (continued)

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under HKFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under HKFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 16, Leases

As disclosed in note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 27(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB12,936,000 for properties, the majority of which is payable within 1 year. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

REGISTERED OFFICES

Registered office	*Place of Business in Hong Kong*
Logan Property Holdings Company Limited Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1–1111 Cayman Islands	**Logan Property Holdings Company Limited** Unit Nos. 02-03A Level 68 International Commerce Centre 1 Austin Road West Hong Kong

TRUSTEE

Citicorp International Limited
39/F, Champion Tower
3 Garden Road
Central, Hong Kong

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1
Ireland

LEGAL ADVISORS TO US

As to Hong Kong law

Sidley Austin
Level 39, Two International
Finance Centre
8 Finance Street
Central
Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands