



Wanda Properties International Co. Limited

(incorporated with limited liability in the British Virgin Islands and a wholly-owned subsidiary of
Dalian Wanda Commercial Properties Co., Ltd.)

US\$600,000,000 7.25 per cent. Guaranteed Bonds due 2024

unconditionally and irrevocably guaranteed by

Wanda Commercial Properties (Hong Kong) Co. Limited

(incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of
Dalian Wanda Commercial Properties Co., Ltd.)

Issue Price: 99.036 per cent.

The 7.25 per cent. Guaranteed Bonds due 2024 in the aggregate principal amount of US\$600,000,000 (the “**Bonds**”) will be issued by Wanda Properties International Co. Limited (the “**Issuer**”) and will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by its parent company, Wanda Commercial Properties (Hong Kong) Co. Limited (“**Wanda HK**”), Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited (collectively, the “**Subsidiary Guarantors**”). The Issuer and the Subsidiary Guarantors are direct and indirect wholly-owned subsidiaries of Dalian Wanda Commercial Properties Co., Ltd. (the “**Company**” or “**Wanda Commercial Properties**”).

Interest on the Bonds is payable semi-annually in arrear on January 29 and July 29 in each year. The Bonds will be direct, unconditional, unsubordinated and unsecured obligations of the Issuer, at all times ranking *pari passu* without any preference or priority among themselves and ranking at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer. The obligations of the Subsidiary Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all their other respective present and future unsecured and unsubordinated obligations. Payments on the Bonds will be made without deduction for or on account of taxes of the British Virgin Islands, Hong Kong or the PRC (as defined herein) to the extent described in “*Terms and Conditions of the Bonds — Taxation.*”

The Issuer, Wanda HK and the Company will enter into a keepwell deed on or about January 29, 2014 with The Bank of New York Mellon, London Branch (the “**Trustee**”) as trustee of the Bonds (the “**Keepwell Deed**”) as further described in “*Description of the Keepwell Deed.*” The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the Issuer under the Bonds or Wanda HK under the Guarantee.

The Company and the Trustee will enter into a deed of equity interest purchase undertaking on or about January 29, 2014 (the “**Deed of Equity Interest Purchase Undertaking**”) as further described in “*Description of the Deed of Equity Interest Purchase Undertaking.*”

The Issuer will enter into an interest reserve account agreement on or about January 29, 2014 with the Trustee and The Bank of New York Mellon, Hong Kong Branch as the account bank (the “**Account Bank**”), pursuant to which the Issuer shall deposit or procure that there shall be deposited US\$43,500,000, equivalent to the interest amount in respect of two interest periods on the Bonds, into an interest reserve account on January 29, 2014. See “*Terms and Conditions of the Bonds — Covenants.*”

The Bonds mature on January 29, 2024 at their principal amount. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands, Hong Kong or the PRC. The Issuer may at any time and from time to time redeem the Bonds in whole but not in part at a Make Whole Price (as defined in the “*Terms and Conditions of the Bonds*”) as of, and accrued and unpaid interest, if any, to (but excluding) the date for redemption as specified in the “*Terms and Conditions of the Bonds.*” The Bonds also contain a provision for redemption at the option of the Bondholders at 101 per cent. of the principal amount of each Bond, together with interest accrued to the date for redemption, upon the occurrence of a Put Event (as defined in the “*Terms and Conditions of the Bonds*”) with respect to the Bonds. See “*Terms and Conditions of the Bonds — Redemption and Purchase.*”

The Bonds are expected to be assigned a rating of “BBB-” by S&P, a rating of “Baa3” by Moody’s and a rating of “BBB+” by Fitch. These ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by S&P, Moody’s and Fitch. In addition, the Company has a long-term corporate credit rating of “BBB+” by S&P, a corporate family rating of “Baa2” by Moody’s and a long-term foreign currency issuer default rating and senior unsecured rating of “BBB+” by Fitch. Such ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by S&P, Moody’s and Fitch.

Investing in the Bonds involves certain risks. See “Risk factors” beginning on page 18.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act (“**Regulation S**”). For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see the section entitled “*Subscription and sale*” on page 168.

The denomination of the Bonds shall be US\$200,000 each and integral multiples of US\$1,000 in excess thereof.

Application will be made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for listing of, and permission to deal in, the Bonds by way of debt issues to professional investors only and such permission is expected to become effective on January 30, 2014.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, 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 document.

The Bonds will be represented initially by interests in a global certificate (the “**Global Certificate**”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about January 29, 2014 (the “**Issue Date**”) with, a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream**”). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch Goldman Sachs (Asia) L.L.C. HSBC UBS Barclays

January 23, 2014

Table of Contents

	Page
Notice to investors	ii
Forward-looking statements	vi
Glossary	viii
Summary	1
Offer structure	7
Summary of the Offering	10
Selected financial information of the Company	13
Selected financial information of Wanda HK	16
Risk factors	18
Capitalization and indebtedness	44
Use of proceeds	46
Management’s discussion and analysis of financial condition and results of operations	47
Terms and Conditions of the Bonds	72
Description of the Keepwell Deed	89
Description of the Deed of Equity Interest Purchase Undertaking	91
Summary of provisions relating to the Bonds while in global form	93
Corporate structure	95
Description of the Issuer	96
Description of Wanda HK	97
Description of the Company	104
Description of material indebtedness and other obligations	143
Directors and management	145
Substantial shareholders	151
PRC Regulations	152
Exchange rate information	163
Taxation	164
Global clearance and settlement	167
Subscription and sale	168
Ratings	172
Legal matters	173
General information	174
Index to financial statements	F-1

Notice to investors

You should rely only on the information contained in this Offering Circular. None of the Company, the Subsidiary Guarantors, the Issuer, nor any of Merrill Lynch International, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch and Barclays Bank PLC (each a “Joint Lead Manager,” together, the “Joint Lead Managers”) has, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Circular is accurate only as of the date on its front cover. Our business, financial condition, results of operations and prospects may have changed since that date.

The Bonds and the Guarantee 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. By purchasing the Bonds, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading “*Subscription and sale*” in this Offering Circular.

This Offering Circular contains information provided by other sources that we believe are reliable. We cannot assure you that this information is accurate or complete. This Offering Circular summarizes certain documents and other information and we refer you to them for a more complete understanding of the matters we discuss in this Offering Circular. In making an investment decision, you must rely on your own examination of us and our subsidiaries and the terms of the Bonds, including the merits and risks involved. See “*Risk factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

This Offering Circular is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the Bonds described herein. We have not authorized its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part, and it may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Joint Lead Managers to inform themselves about and observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the European Economic Area, British Virgin Islands, Hong Kong, Singapore, the PRC, Japan, Taiwan and Switzerland and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and sale.*”

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purpose of giving information with regard to the Company and the Company’s subsidiaries. The Company, the Issuer and the Subsidiary Guarantors accept full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

No person has been or is authorized to make any representation concerning the Issuer, the Subsidiary Guarantors, the Company, the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking or the Keepwell Deed other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Joint Lead Managers, the Trustee (as defined herein) or the Agents (as defined herein). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of us since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of us, the Joint Lead Managers, the Trustee or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

We, having made all reasonable inquiries, confirm that this Offering Circular contains all information with respect to us and our subsidiaries, the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed that is material in the context of the issue and offering of the Bonds, that the information and statements contained herein is true and accurate and not misleading in all material respects, that the opinions and intentions expressed herein are honestly held, that we are not aware of any other facts the omission of which in our reasonable opinion might make this Offering Circular as a whole or any of such information or the expression of any such opinions or intentions materially misleading and that all reasonable inquiries have been made by us to verify the accuracy of such information; provided that this Offering Circular contains summaries which we believe to be accurate with respect to certain terms of some documents; and provided further that, economic and other data included in this Offering Circular on the property industries in the PRC, including information in relation to our and our competitors' relative positions in these industries, are based on various government and private industry publications or the good faith belief of our management.

Although we believe that such industry sources are reliable, they have not been independently verified by the Issuer, the Subsidiary Guarantors, the Company, the Joint Lead Managers, the Trustee, the Agents or their respective directors and advisors and may not be consistent with other information compiled within or outside the PRC. We take responsibility for only the accurate reproduction and extraction of such summaries and data, but accept no other responsibility for such industry information. None of the Issuer, the Subsidiary Guarantors, the Company, the Joint Lead Managers, the Trustee, the Agents nor their respective directors and advisors makes any representation as to the accuracy and completeness of such industry information statistics. Investors are advised to read and understand the contents of this Offering Circular before investing. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either us, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, the Joint Lead Managers, the Trustee and the Agents do not accept any responsibility for the contents of this Offering Circular. Each of the Joint Lead Managers, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee and the Agents undertakes to review the financial condition or affairs of the Company during the life of the arrangements contemplated by this Offering Circular not to advise any investor or potential investors in the Bonds of any information coming to the attention of the Joint Lead Manager, the Trustee or any Agent.

IN CONNECTION WITH THE ISSUE OF THE BONDS, GOLDMAN SACHS (ASIA) L.L.C. (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY, IN ACCORDANCE WITH APPLICABLE LAW, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers or on the Trustee or the Agents in connection with his investigation of the accuracy of such information or his investment decision.

Presentation of financial and other data

The Company's audited consolidated financial statements as at and for the years ended December 31, 2011 and 2012, which are included elsewhere in this Offering Circular, have been audited by BDO Limited. The Company's consolidated interim financial statements as at and for the six months ended June 30, 2013, which are included elsewhere in this Offering Circular, have been reviewed but not audited by BDO Limited.

Wanda HK's consolidated interim financial statements as at June 30, 2013 and for the period from February 6 (date of its incorporation), 2013 to June 30, 2013, which are included elsewhere in this Offering Circular, have been reviewed but not audited by BDO Limited.

The Hong Kong Listco's audited consolidated financial statements as at and for the year ended December 31, 2012, which are included elsewhere in this Offering Circular, have been audited by KPMG. The Hong Kong Listco's unaudited condensed consolidated interim financial statements as at and for the six months ended June 30, 2013, which are included elsewhere in this Offering Circular, have been reviewed by KPMG.

The financial statements of the Company and Wanda HK were prepared in accordance with IFRS and the financial statements of the Hong Kong Listco were prepared in accordance with HKFRS.

The inclusion of certain financial information of the Disposal Group for the years ended December 31, 2011 and 2012 in this Offering Circular is intended to give potential investors certain information as to the extent to which the Hong Kong Listco's results of operation was attributable to the Disposal Group. Potential investors should note that certain other adjustments are necessary in order to undertake a pro forma analysis of the Disposal (including the loss incurred by the Hong Kong Listco in connection with the sale of the Disposal Group).

EBITDA is not a standard measure under International Financial Reporting Standards ("IFRS"), but 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 performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA is calculated based on the profit for the year/period of the Company but does not account for finance costs, income tax expenses, depreciation and amortization and exclude change in fair value of investment properties, other losses/(gains) net and share of profit/(loss) of an associate. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as turnover 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 the Company's profit before taxation for the year under IFRS to the Company's definition of EBITDA.

The GFA information in respect of our projects under development or held for future development contained in this Offering Circular is derived on the following basis:

- When the construction of the projects or project phases is complete and we have received the completion and inspection certificates, the GFA information in respect of these projects or project phases refers to the GFA in such completion and inspection certificates;
- If we have not yet obtained the completion and inspection certificates, but have the detailed construction drawings for the projects or project phases, the GFA information in respect of these projects or project phases refers to the GFA in such detailed construction drawings;

- If we have not yet obtained the detailed construction drawings, but have obtained the construction planning permits for the projects or project phases, the GFA information in respect of these projects or project phases refers to the GFA in such construction planning permits;
- If we have not obtained any of the above documents for these projects or project phases, the GFA information in respect of these projects or project phases refers to the GFA estimated based on our current development plans; and
- The GFA stated in completion and inspection certificates, detailed construction drawings and construction planning permits includes underground saleable GFA but excludes other underground spaces generally used for ancillary facilities. The GFA information in this Offering Circular includes saleable and non-saleable GFA.

Certain conventions and currency presentation

We have prepared this Offering Circular using a number of conventions, which investors should consider when reading the information contained herein. In this Offering Circular, references to the “Issuer” are to Wanda Properties International Co. Limited; references to “Wanda HK” are to Wanda Commercial Properties (Hong Kong) Co. Limited; references to the “Subsidiary Guarantors” are to Wanda HK, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited; references to “Hong Kong Listco” are to Wanda Commercial Properties (Group) Co., Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Hong Kong Stock Exchange (HKSE Stock Code 169); the terms “we,” “us,” the “Company,” “Wanda Commercial Properties” and words of similar import refer to Dalian Wanda Commercial Properties Co., Ltd. itself and its subsidiaries, including the Issuer and the Subsidiary Guarantors, individually or collectively, as the context requires. References to “you” are to the prospective investors in the Bonds.

The English names of the PRC entities or organizations or individuals mentioned in this Offering Circular marked “*” are translations from their Chinese names and are for identification purpose only. If there is any inconsistency, the Chinese names shall prevail.

References to the “United States” and “US” are to the United States of America, and references to the “PRC” and “China” are to the People’s Republic of China and, for purposes of this Offering Circular, do not include Hong Kong, 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 governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

The Company’s consolidated financial statements are presented in Renminbi and Wanda HK’s consolidated interim financial statements are presented in HK dollars. For convenience only and unless otherwise noted, all translations from Renminbi into US dollars in this Offering Circular were made at the rate of CNY6.1200 to US\$1.00 and all translations from HK dollars into US dollars were made at the rate of HK\$7.7551 to US\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on September 30, 2013. No representation is made that the US dollar, HK dollar or Renminbi amounts referred to in this Offering Circular could have been or could be converted into Renminbi, US dollars or HK dollars, as the case may be, at any particular rate or at all. For further information relating to exchange rates, see “*Exchange rate information.*”

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

Forward-looking statements

This Offering Circular includes “forward-looking statements.” All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should,” “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- various business opportunities that we may pursue;
- our ability to enter into new markets and manage the growth of our property development and property investment business;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;
- the general economic and industry outlook of the PRC, including but not limited to real estate and the property market;
- changes in political, economic, legal and social conditions in the PRC, including the PRC Government’s specific policies with respect to economic growth, inflation, foreign exchange, institutional lending policies and the availability of credit;
- future developments in the property market in the provinces in the PRC in which we engage in property development;
- the performance of the property market in the provinces in the PRC in which we engage in property development;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC Government and the local authorities in provinces in which our property development projects are located, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- the 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 independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange rates;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk factors” and elsewhere in this Offering Circular. We caution you not to place undue reliance on these forward- looking statements which reflect our management’s view only as of the date of this Offering Circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

Glossary

In this Offering Circular, unless otherwise defined or as the context otherwise requires, the following expressions have the following meanings:

“2013 Guaranteed Bonds”	US\$600,000,000 in aggregate principal amount of 4.875% guaranteed bonds due 2018, issued by the 2013 Issuer and guaranteed by Wanda HK, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited
“2013 Issuer”	Wanda Properties Overseas Limited
“Accor”	Accor S.A. and hotels within its group
“Acquisition”	the acquisition by the Company and Wanda HK of shares in the Hong Kong Listco and convertible bonds issued by the Hong Kong Listco from Mr. Chen and Ever Good Luck Limited pursuant to a sale and purchase agreement dated March 20, 2013 entered into by and among Mr. Chen, Ever Good Luck Limited, a company wholly owned by Mr. Chen, the Company and Wanda HK
“AIC”	PRC State Administration for Industry and Commerce
“Amazing Wise”	Amazing Wise Limited, a company incorporated in the BVI, a subsidiary of the Hong Kong Listco
“anchor tenant”	tenant who leases over 1,000 sq.m. of gross leasable area in our investment properties
“ASP”	average selling prices
“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate, a year-over-year growth rate over a specified period of time
“CBRC”	China Bank Regulatory Commission
“Clearstream”	Clearstream Banking, <i>société anonyme</i>
“CNY”	Renminbi, the lawful currency of the PRC
“Company” or “Wanda Commercial Properties”	Dalian Wanda Commercial Properties Co., Ltd., a company incorporated with limited liability under the laws of the PRC
“Directors”	the directors of the Company
“Disposal”	the disposal by the Hong Kong Listco of the entire shareholding interest held by the Hong Kong Listco in the Disposal Group, shareholder’s loan of approximately HK\$399 million owed by the Disposal Group to the Hong Kong Listco and a 47% shareholding interest in Amazing Wise pursuant to a sale and purchase agreement dated March 20, 2013 entered into by and among the Hong Kong Listco, Mr. Chen and two companies wholly owned by Mr. Chen
“Disposal Group”	Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited

“EBITDA”	profit for the year/period before finance costs, income tax expenses, depreciation and amortization and excluding change in fair value of investment properties, other losses/(gains) net and share of profit/(loss) of an associate
“Euroclear”	Euroclear Bank S.A./N.V.
“F&B”	food and beverage
“GFA”	gross floor area
“Golden Commercial Property Project”	one of the most prestigious awards in the commercial property sector in China established by China General Chamber of Commerce. It takes into consideration whether a commercial property project has prominent features, appropriate planning, advanced operation and management concepts, good reputation, a professional management team, a tenant base comprised of regionally and nationally well-known brands, and whether it can serve as a model commercial property project in the region
“gross operating profit”	total revenue from hotel operations net of operating expenses, with respect to a specific hotel
“GBP”	Great Britain Pound(s), the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“Guangsha Award”	an award established by China Real Estate Association (中國房地產協會) and The Center for Housing Industrialization (住房和城鄉建設部住宅產業化促進中心) and approved by the State Council of the PRC. It is one of the most prestigious national awards in the real estate industry, and it comprehensively evaluates various aspects of a real estate project, including but not limited to its suitability, environmental friendliness, economic and energy efficiency, safety, durability and residents’ and occupants’ satisfaction
“HIBOR”	Hong Kong Interbank Offered Rate
“Hilton”	Hilton Worldwide and hotels within its group
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listco”	Wanda Commercial Properties (Group) Co., Limited, formerly known as Hengli Commercial Properties (Group) Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Hong Kong Stock Exchange (HKSE Stock Code: 169)
“Hong Kong Stock Exchange” or “HKSE”	The Stock Exchange of Hong Kong Limited
“Hurun Institute (胡潤研究院)”	a widely recognized authority in tracking the rapid changes in China’s booming economy and entrepreneurial community
“Hyatt”	Hyatt International Corporation and hotels within its group
“IAS”	the International Accounting Standards

“IFRS”	the International Financial Reporting Standards
“Independent Director”	a member of a company’s board of directors who does not hold any other position in the company nor has any other relationship with the company or any of its major shareholders that may compromise his provision of unbiased judgment
“InterContinental”	InterContinental Hotels Group PLC and hotels within its group
“Issue Date”	on or about January 29, 2014
“Joint Lead Managers”	Merrill Lynch International, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch and Barclays Bank PLC
“JV Company”	Wanda International Real Estate Investment Co. Limited, the joint venture company incorporated in Hong Kong pursuant to the JV Shareholders Agreement entered into by and between the Hong Kong Listco and Wanda HK on September 6, 2013 for the purposes of acquiring and holding the London Property
“JV Shareholders Agreement”	the shareholders’ agreement dated September 6, 2013 entered into by and between the Hong Kong Listco and Wanda HK in relation to the London Property
“KTV”	karaoke television, a form of interactive musical entertainment
“land grant contract”	an agreement between a property developer and the relevant local government authority entered into after the public tender, auction or listing-for-sale (as applicable), which provides, among other things, the amount of land grant fee that should be paid for acquiring the land use rights of the relevant land parcel
“LAT”	land appreciation tax, as defined in the Provisional Regulations of the PRC on Land Appreciation Tax and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“London Property”	the property located at 1 Nine Elms Lane, London SW8 5NQ, United Kingdom
“MICE”	meeting, incentive travel, convention/conference and event/exhibition
“MLR”	the Ministry of Land Resources of the PRC
“Mr. Chen”	Mr. CHEN Chang Wei, the previous controlling shareholder of the Hong Kong Listco
“Mr. Wang”	Mr. WANG Jianlin, the controlling shareholder of the Company
“NDRC”	the National Development and Reform Commission of the PRC
“Non-executive Director”	a member of a company’s board of directors who is not an employee or shareholder of the company
“MOFCOM”	the Ministry of Commerce of the PRC
“MOHURD”	the Ministry of Housing and Urban-Rural Development of the PRC

“Offering”	issue by the Issuer of the Bonds, as described in this Offering Circular
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“PRC EIT”	the enterprise income tax in the PRC, as defined in the Enterprise Income Tax Law of the PRC
“PRC GAAP”	generally accepted accounting principles and financial regulations in the PRC
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them
“pre-sale”	sales of properties prior to completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations
“SAFE”	PRC State Administration of Foreign Exchange
“Securities Act”	the United States Securities Act of 1933, as amended
“SME”	small and medium enterprise
“SOHO”	a type of small home office
“sq.m.”	square meters
“sq.f.”	square feet
“Starwood”	Starwood Hotels and Resorts Worldwide, Inc. and hotels within its group
“State Council”	the PRC State Council
“Subsidiary Guarantors”	Wanda HK, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited
“US” or “United States”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	US dollar(s), the lawful currency of the United States of America
“Wanda Cinema Line”	Wanda Cinema Line Co., Ltd (萬達電影院線股份有限公司)
“Wanda City”	Wanda City is a large-scale development project integrating culture and tourism facilities, residence, office, shopping center and hotels
“Wanda Department Store Ltd.”	a Company founded to operate department stores under the “Wanda” brand, which is indirectly held by Mr. WANG Jianlin, the chairman of Wanda Group
“Wanda Group”	Dalian Wanda Group Co., Ltd.
“Wanda HK”	Wanda Commercial Properties (Hong Kong) Co. Limited

Summary

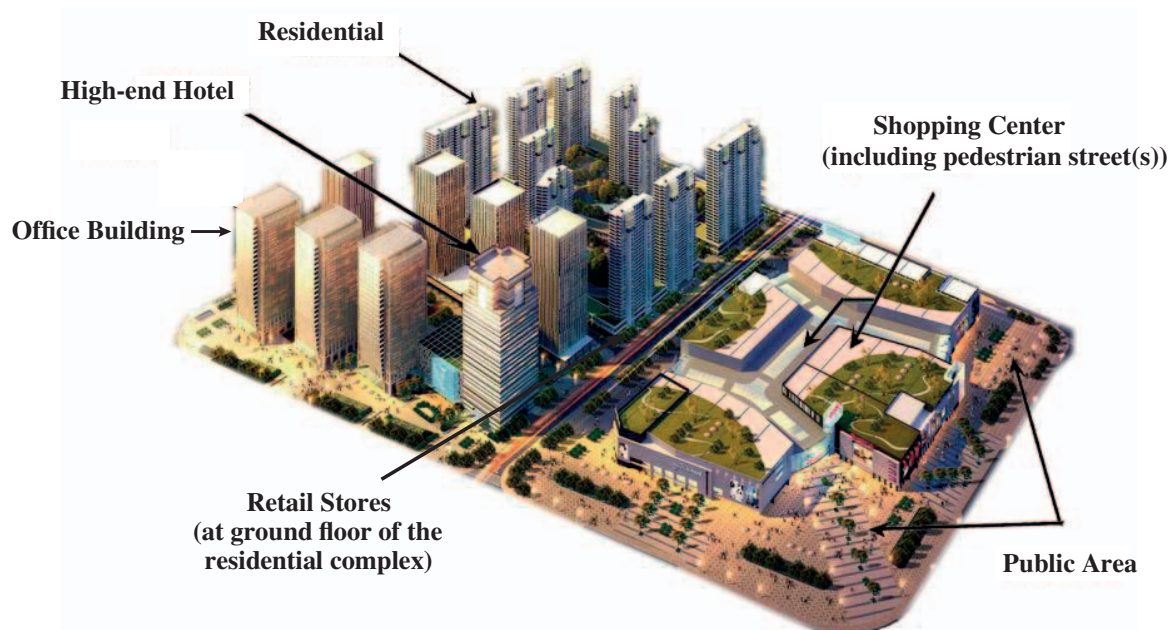
The summary below is only intended to provide a very limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this entire Offering Circular, including the section entitled “Risk factors” and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW OF THE COMPANY

We are one of the largest owners and operators of large-scale commercial mixed-use complexes and hotels in the world in terms of aggregate GFA. We are also a leading property developer in China in terms of contracted sales of both commercial and residential properties, with a large portion contributed by contracted sales of commercial properties. In 2012, our contracted sales surpassed CNY100 billion, making us one of the few property developers in China with contracted sales over CNY100 billion. We operate under the “Wanda” brand and focus on three major business segments: (i) property development and sales, (ii) leasing, operation and management of investment properties and (iii) hotel operations.

Our core product is “Wanda Plaza,” which is a large-scale mixed-use complex comprised of office buildings, SOHO, residential apartments, shopping centers and hotels. We have been committed to our development strategy of “Wanda Plaza Is the City Center (萬達廣場就是城市中心)” since it was introduced by our predecessor in 2000. We have successfully expanded into 89 first- and second-tier and high-growth potential cities, including 50 cities where our projects are in operation and 39 cities where we have projects under development and held for future development. We have established strong brand recognition across China. We aim to continue to expand our investment property and hotel portfolio steadily and solidify our position as the largest commercial property owner and operator with a national presence in China’s key cities and strategic high growth regions. We will continue to focus on maintaining a high-quality investment portfolio, enhancing our capability of operating and managing investment properties and hotels and achieving a balanced earning profile with recurring income streams.

The following diagram illustrates the various components within a typical Wanda Plaza:



As at June 30, 2013, we held a completed investment property and hotel portfolio with an aggregate GFA of 13.6 million sq.m., including an investment property portfolio comprised of 71 Wanda Plazas commercial properties across 48 cities with an aggregate GFA of 11.9 million sq.m., and a hotel portfolio with an aggregate GFA of 1.7 million sq.m., consisting of 39 hotels, with a total of 11,891 hotel rooms across 33 cities.

In addition, as at June 30, 2013, we had 90 projects with a total GFA of 64.3 million sq.m. under development or held for future development, which comprised approximately (a) an aggregate GFA of 50.2 million sq.m. in our property development and sales segment; (b) an aggregate GFA of approximately 11.0 million sq.m. in our leasing, operation and management of investment properties segment; (c) an aggregate GFA of approximately 2.7 million sq.m. in our hotel operations segment; and (d) an aggregate GFA of approximately 0.4 million sq.m. for ancillary facilities.

The following map provides a geographical overview of our property portfolio, which includes properties for sale, investment properties and hotels as of June 30, 2013:



Note (1): Eastern China includes Shandong, Jiangsu, Anhui, Zhejiang, Shanghai, Jiangxi, Fujian and Hunan; Southern China includes Guangdong, Guangxi and Hainan; Southwestern China includes Sichuan, Chongqing, Yunnan and Guizhou; Northern China includes Beijing, Tianjin, Hebei, Inner Mongolia and Shanxi; Northeastern China includes Heilongjiang, Jilin and Liaoning; Northwestern China includes Shaanxi, Ningxia, Gansu, Qinghai, Xinjiang and Tibet; and Central China includes Hubei and Henan.

We generate revenue from our three business segments, with the majority of the revenue generated from property development and sales. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our total revenue was CNY39,613 million, CNY54,041 million, CNY62,877 million and CNY33,817 million, respectively; and profits attributable to the owners of the Company was CNY17,296 million, CNY22,414 million, CNY28,752 million and CNY8,426 million, respectively.

The following table sets forth our revenue by business segments:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
	CNY (in millions)	% of total revenue	CNY (in millions)	% of total revenue	CNY (in millions)	% of total revenue	CNY (in millions)	% of total revenue	CNY (in millions)	% of total revenue
Revenue from sales of properties	36,693	92.6%	48,306	89.4%	53,778	85.5%	15,791	80.0%	28,165	83.3%
Rental income from leasing of properties, property management service income.....	2,153	5.4%	4,001	7.4%	6,214	9.9%	2,716	13.8%	4,056	12.0%
Revenue from hotel operations	675	1.7%	1,539	2.8%	2,739	4.4%	1,184	6.0%	1,521	4.5%
Others	92	0.3%	195	0.4%	146	0.2%	42	0.2%	75	0.2%
	<u>39,613</u>	<u>100.0%</u>	<u>54,041</u>	<u>100.0%</u>	<u>62,877</u>	<u>100.0%</u>	<u>19,733</u>	<u>100.0%</u>	<u>33,817</u>	<u>100.0%</u>

Our brand name “Wanda” is widely recognized and well-respected. The strength of our brand is evidenced by a series of awards and accolades that we have received, including:

- “Major Outstanding Commercial Property Enterprise” (商業地產主要優秀企業) in 2012 and 2013 by the Enterprise Research Institute of Development Research Centre of the State Counsel (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 the China Index Academy (中國指數研究院);
- “Most Valuable Brand in China (Top 50)” and “Most Valuable Real Estate Brand in China’s Private Sector” in July 2013 awarded by Hurun Institute (胡潤研究院);
- “2012 CIHAF (China International Real Estate & Architectural Technology Fair, one of the largest and most prestigious exhibitions in the real estate industry in China) Special Award for Leading City Operation Enterprise” (中國首席城市運營企業特別大獎) awarded by the Commercial Properties Committee of China Real Estate Association, the Shopping Center Committee of China General Chamber of Commerce and China Real Estate News; and
- “The Most Admired China Enterprises” in the category of property development (中國最受讚賞公司-房地產開發類), ranking No. 1 in 2011 and No. 2 in 2013, by Fortune Magazine.

In addition, we have won numerous industry awards for various individual property projects, including the “Guangsha Award” (廣廈獎), one of the most prestigious national awards in the PRC real estate industry. We have won 17 “Guangsha Awards” to date, making us one of the most significant recipients of the “Guangsha Award” in the PRC; in 2012 alone, seven of our property development projects received the award.

Our investment property projects have also been recognized for their operational excellence, for example, Chengdu Jinniu Wanda Plaza and Fuzhou Cangshan Wanda Plaza were awarded “Golden Commercial Property Project” (金牌商業地產項目) by China General Chamber of Commerce (中國商業聯合會) in 2012 and 2013, respectively.

Furthermore, our hotels have also been well recognized and awarded, for example, Le Méridien Chongqing, Nan’an was awarded “The Most Popular MICE Hotel of the Year” in 2011 in the Fourth Asia Hotel Forum — International Hotel Investment Summit.

COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths which make us competitive in our principal businesses:

- One of the largest commercial property owners and operators in the world with superior brand recognition;
- A large-scale and high-quality investment property and hotel portfolio;
- Unique business model that maximizes investment return, improves operating cash flow, enhances our financial stability and minimizes policy risks, and a strong parentage whose other business lines complement and have strong synergies with our Company;
- Proven execution capability supported by a standardized development and management model of commercial properties;
- Prudent financial management and diversified financing channels; and
- Experienced management and personnel and a robust corporate governance framework

STRATEGIES

We intend to achieve our overall business objectives by pursuing the following strategies:

- Continue to expand our investment property and hotel operation business segments;
- Continue to expand our property development and operations in strategic locations at a competitive cost to further solidify our leading position;
- Continue to focus on maintaining a high-quality investment portfolio and enhancing our operation and management capabilities; and
- Continue to attract, retain and develop a talented workforce

RECENT DEVELOPMENT

Our Business

As of December 31, 2013, we had a total GFA of 76.5 million sq.m. under development or held for future development.

During the year ended December 31, 2013, our contracted sales was approximately CNY126.3 billion and our contracted GFA was approximately 10,285,850 sq.m., representing an average selling price of approximately CNY12,275 per sq.m. We were ranked among the top three real estate developers in China in 2013 in terms of contracted sales according to China Real Estate Appraisal (中國房地產測評中心) and China Real Estate Information Corporation (中國房產信息集團).

During the period from July 1, 2013 to December 31, 2013, 14 Wanda Plazas were completed and commenced operation with an aggregate GFA of approximately 2.5 million sq.m. and a total leasable GFA of approximately 1.3 million sq.m. As of December 31, 2013, we had in operation a total of 85 completed Wanda Plazas with an aggregate GFA of approximately 14.4 million sq.m., and total leasable GFA of approximately 7.9 million sq.m. For the year ended December 31, 2013, the average monthly rental rate of our investment properties was approximately CNY73.0 per sq.m. with occupancy rate of 99.9%.

The table below sets forth the Wanda Plazas completed during the period from July 1, 2013 to December 31, 2013:

Names of project	Location	Interest attributable to us ⁽¹⁾ %	Actual opening date	Total GFA ('000 sq.m.)	Total leasable GFA ('000 sq.m.)
Chongqing Wanzhou Wanda Plaza* (重慶萬州萬達廣場)	Chongqing	100.0%	07/2013	145.40	73.82
Dongguan Chang'an Wanda Plaza* (東莞長安萬達廣場)	Dongguan, Guangdong	100.0%	07/2013	175.80	93.40
Shenyang Aoti Wanda Plaza* (瀋陽奧體萬達廣場)	Shenyang, Liaoning	100.0%	07/2013	166.30	86.77
Changchun Kuancheng Wanda Plaza* (長春寬城萬達廣場)	Changchun, Jilin	100.0%	08/2013	164.30	84.36
Harbin Haxi Wanda Plaza* (哈爾濱哈西萬達廣場)	Harbin, Heilongjiang	100.0%	09/2013	210.30	112.47
Changsha Kaifu Wanda Plaza* (長沙開福萬達廣場)	Changsha, Hunan	100.0%	09/2013	211.90	112.61
Wuhan Hanjie Wanda Plaza* (武漢漢街萬達廣場)	Wuhan, Hubei	100.0%	09/2013	134.50	84.14
Fushun Wanda Plaza* (撫順萬達廣場)	Fushun, Liaoning	100.0%	10/2013	179.50	97.29
Yuyao Wanda Plaza* (余姚萬達廣場)	Yuyao, Zhejiang	100.0%	11/2013	176.00	83.30
Xi'an Daminggong Wanda Plaza* (西安大明宮萬達廣場)	Xi'an, Shaanxi	100.0%	11/2013	189.30	93.60
Bengbu Wanda Plaza* (蚌埠萬達廣場)	Bengbu, Anhui	100.0%	11/2013	163.40	87.00
Xuzhou Wanda Plaza* (徐州萬達廣場)	Xuzhou, Jiangsu	100.0%	12/2013	192.00	92.30
Dandong Wanda Plaza* (丹東萬達廣場)	Dandong, Liaoning	100.0%	12/2013	167.70	91.36
Nanjing Jiangning Wanda Plaza* (南京江甯萬達廣場)	Nanjing, Jiangsu	100.0%	12/2013	195.50	95.64
Total				2,471.90	1,288.05

: The English names of the PRC entities or organizations marked “” are translations from their Chinese names and are for identification purposes only.

Note:

- (1) “Interest attributable to us” represents our beneficial ownership in a project, including projects subject to financing arrangements. Under certain financing arrangements, we transferred a minority equity interest, the right to dividend and other profit distributions in relation to the equity interest and/or the right to benefit and revenue derived from specific investment properties, in the relevant project companies to the financing entities as security during the terms of the financing arrangements.

During the period from July 1, 2013 to December 31, 2013, 15 hotels were completed and commenced operation with an aggregate GFA of approximately 0.6 million sq.m. and a total of 5,059 hotel rooms. As of December 31, 2013, we held a total of 54 completed hotels with an aggregate GFA of approximately 2.3 million sq.m. and 16,950 hotel rooms.

The table below sets forth the hotels completed during the period from July 1, 2013 to December 31, 2013:

Names of hotel	Location	Interest attributable to us ⁽¹⁾ %	Actual opening date	Total GFA ('000 sq.m.)	Total number of guest rooms
Wanzhou Doubletree by Hilton* (萬州希爾頓逸林酒店)	Wanzhou, Chongqing	100.0%	07/2013	37.40	257
Wanda Vista Shenyang Hunnan* (瀋陽渾南文華酒店)	Shenyang, Liaoning	100.0%	07/2013	51.70	300
Wanda Realm Fushun* (撫順嘉華酒店)	Fushun, Liaoning	100.0%	08/2013	39.10	280
Wanda Vista Tianjin* (天津文華酒店)	Tianjin	100.0%	08/2013	48.30	297
Wanda Realm Wuhan Central* (武漢中央嘉華酒店)	Wuhan, Hubei	100.0%	09/2013	41.50	408
Wanda Realm Harbin* (哈爾濱嘉華酒店)	Harbin, Heilongjiang	100.0%	09/2013	48.00	345
Changbaishan International Resort Park Hyatt* (長白山國際度假區 柏悅酒店)	Changbaishan, Jilin	68.7%	09/2013		167
Changbaishan International Resort Hyatt* (長白山國際度假區 凱悅酒店)	Changbaishan, Jilin	68.7%	09/2013		295
Changbaishan Wanda Holiday Inn Express A* (長白山萬達假日快捷酒店A)	Changbaishan, Jilin	68.7%	11/2013	200.00 ⁽²⁾	
Changbaishan Wanda Holiday Inn Express B* (長白山萬達假日快捷酒店B)	Changbaishan, Jilin	68.7%	11/2013		1,000 ⁽³⁾
Changbaishan Wanda Ibis* (長白山萬達宜必思尚品酒店)	Changbaishan, Jilin	68.7%	11/2013		500
Wanda Realm Nanchang Honggutan* (南昌紅谷灘嘉華酒店)	Nanchang, Jiangxi	100.0%	12/2013	35.10	300
Wanda Realm Yinchuan Xixia* (銀川西夏嘉華酒店)	Yinchuan, Ningxia	100.0%	12/2013	39.00	305
Wanda Realm Dandong* (丹東嘉華酒店)	Dandong, Liaoning	100.0%	12/2013	42.10	302
Wanda Realm Nanjing Jiangning* (南京江甯嘉華酒店)	Nanjing, Jiangsu	100.0%	12/2013	41.60	303
Total				623.80	5,059

: The English names of the PRC entities or organizations marked “” are translations from their Chinese names and are for identification purposes only.

Notes:

- (1) “Interest attributable to us” represents our beneficial ownership in a project, including projects subject to financing arrangements. Under certain financing arrangements, we transferred a minority equity interest, the right to dividend and other profit distributions in relation to the equity interest and/or the right to benefit and revenue derived from specific investment properties, in the relevant project companies to the financing entities as security during the terms of the financing arrangements.
- (2) 200,000 sq.m. is the total GFA of Changbaishan International Resort Park Hyatt, Changbaishan International Resort Hyatt, Changbaishan Wanda Holiday Inn Express A, Changbaishan Wanda Holiday Inn Express B and Changbaishan Wanda Ibis.
- (3) 1,000 is the total number of guest rooms of Changbaishan Wanda Holiday Inn Express A and Changbaishan Wanda Holiday Inn Express B.

As of December 31, 2013, we plan to open 46 new Wanda Plazas and 40 new hotels in China in 2014 and 2015.

Letter of Support from Wanda HK to Hong Kong Listco

On January 10, 2014, Wanda HK issued a letter to the Hong Kong Listco indicating support of its business development. Wanda HK has decided that for a period of three years with effect from January 1, 2014, Wanda HK would grant the Hong Kong Listco a right of first refusal in forming joint ventures to invest in commercial projects in Guangdong province, Guangxi province and Hainan province.

Rights Issue of Hong Kong Listco

On December 13, 2013, the Hong Kong Listco announced its proposed rights issue (the “Rights Issue”) of 856,773,210 shares (the “Rights Shares”) at a subscription price of HK\$2.88 per Rights Share. The Rights Shares are proposed to be issued on the basis of three Rights Shares for every ten existing ordinary shares of the Hong Kong Listco in issue on December 30, 2013 or such other date as may be agreed between the Hong Kong Listco and the joint underwriters of the Rights Issue. The results of the Rights Issue are expected to be announced on January 23, 2014. The dealings in the Rights Shares are expected to commence on January 27, 2014.

Wanda Commercial Properties Overseas Limited has given an irrevocable undertaking in favor of the joint underwriters of the Rights Issue and the Hong Kong Listco that it will subscribe for or procure subscriptions for 557,062,800 Rights Shares to which it will be entitled under the Rights Issue. Wanda Commercial Properties Overseas Limited’s equity interest in the Hong Kong Listco will remain 65.02% post the Rights Issue.

Joint Venture for the London Property

As part of our strategy to expand our operation overseas, on June 14, 2013, the Company entered into an acquisition agreement to acquire property located at 1 Nine Elms Lane, London SW8 5NQ, United Kingdom (the “London Property”) from Kish Six Limited, a company incorporated in the Isle of Man, for a consideration of approximately GBP93 million (inclusive of tax expenses).

On September 6, 2013, Hong Kong Listco and Wanda HK entered into the JV Shareholders Agreement, pursuant to which the Hong Kong Listco and Wanda HK agreed to establish a joint venture through the JV Company for the purposes of acquiring and owning the London Property, redeveloping it into a complex comprised of (i) a residential portion, which is intended to be held for sale, and (ii) hotel, office and retail portions, that are intended to be held for investment, and operating such complex by the JV Company and/or through one or more of its subsidiaries. The JV Company is a company incorporated in Hong Kong and Hong Kong Listco and Wanda HK each owns 60% and 40% of the equity interest in the JV Company. The acquisition of London Property has completed in 2013. The planning of demolition work of London Property has commenced and the demolition work is expected to start in early 2014.

The joint venture for the London Property marks our Wanda hotel brands’ first step in expanding their global footprint. For more information, see “*Description of Wanda HK — The Hong Kong Listco’s property project in London.*”

Offer structure

The following is a description of the structure of the offering, which should be read in conjunction with the sections entitled “*Risk factors,*” “*Terms and Conditions of the Bonds,*” “*Description of the Keepwell Deed*” and “*Description of the Deed of Equity Interest Purchase Undertaking.*”

THE BONDS AND THE GUARANTEE

The Bonds will be issued by the Issuer. Subject to the Conditions, the Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and the payment obligations of the Issuer under the Bonds will at all times rank at least equal with all the Issuer’s other present and future unsecured and unsubordinated obligations.

On the Issue Date, the Bonds will have the benefit of a Guarantee by the Subsidiary Guarantors. Pursuant to the Guarantee, the Subsidiary Guarantors will unconditionally and irrevocably guarantee, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The obligations of the Subsidiary Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all their other respective present and future unsecured and unsubordinated obligations.

The Issuer is incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Wanda HK. Wanda HK is incorporated in Hong Kong and is a direct wholly-owned subsidiary of the Company. The Company is the direct or indirect holding company of various subsidiaries, associate companies and jointly-controlled entities which carry on certain property development business in the PRC.

THE KEEPWELL DEED

The Issuer, Wanda HK and the Company will execute the Keepwell Deed (as further described in “*Description of the Keepwell Deed*”) in favor of the Trustee on the Issue Date. Defined terms used in this section have the meanings given to them in the Keepwell Deed. Pursuant to the Keepwell Deed, the Company will undertake with the Issuer, Wanda HK and the Trustee that it shall, directly or indirectly, own and hold all the outstanding shares of each of the Issuer and Wanda HK. In addition, the Company will undertake that it shall cause:

- each of the Issuer and Wanda HK to have a Consolidated Net Worth of at least US\$1.00 at all times;
- each of the Issuer and Wanda HK to have sufficient liquidity to ensure timely payment by each of the Issuer and Wanda HK of any amounts payable in respect of the Bonds and the Guarantee in accordance with the Trust Deed and/or the Terms and Conditions of the Bonds and otherwise under the Trust Deed and the Agency Agreement; and
- Wanda HK to have an aggregate Total Equity of at least HK\$1,000,000,000 at all times.

The Company will also undertake to the Trustee that:

- the Company shall not create or have any Relevant Indebtedness outside the PRC unless the Company at the same time (a) provides an unsubordinated guarantee or indemnity in respect of the Bonds in form and substance satisfactory to the Trustee or (b) offers to exchange the Bonds for securities issued or guaranteed by the Company with terms substantially identical to those of the Bonds as certified by an Independent Investment Bank;
- neither the Company nor any of its Subsidiaries (other than the Hong Kong Listco and its Subsidiaries) will create or permit to subsist any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness outside the PRC without at the same time or prior thereto securing the Bonds equally and rateably therewith; and

- the Company will not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC without at the same time or prior thereto (a) according to the Bonds the same or an equivalent guarantee or indemnity or (b) offering to exchange the Bonds for securities issued or guaranteed by the Company with terms substantially identical to those of the Bonds as certified by an Independent Investment Bank.

The Company will further undertake:

- to procure that the articles of association of each of the Issuer and Wanda HK shall not be amended in a manner that is, directly or indirectly, adverse to holders of the Bonds;
- to cause each of the Issuer and Wanda HK to remain in full compliance with the Terms and Conditions of the Bonds, the Guarantee, the Trust Deed and all applicable rules and regulations in Hong Kong;
- promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed;
- to cause each of the Issuer and Wanda HK to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed; and
- to procure that the Issuer will not carry on any business activity whatsoever other than in connection with the Bonds (which activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds (the “Proceeds of the Bonds”) to any of the Subsidiary Guarantors or the Company or as any of them may direct), and to cause such recipient of the Proceeds of the Bonds to pay the interest and principal in respect of such intercompany loan on time.

If the Issuer or Wanda HK at any time determines that it will have insufficient liquidity to meet its payment obligations as they fall due, then the Issuer and/or Wanda HK shall promptly notify the Company of the shortfall and the Company will make available to the Issuer or Wanda HK, before the due date of the relevant payment obligations, funds sufficient by means permitted by applicable laws and regulations to enable the Issuer or Wanda HK (as the case may be) to pay such payment obligations in full as they fall due. The Issuer or Wanda HK shall use any funds made available to it by the Company in accordance with the Keepwell Deed solely for the payment when due of such payment obligations under the Bonds, the Guarantee or the Trust Deed (as the case may be).

In the event (i) the Issuer does not provide a notice confirming it has sufficient liquidity to the Company and the Trustee no later than 30 Facility Business Days before each Interest Payment Date (the “Liquidity Notice Date”) or (ii) an Event of Default has occurred, the Company shall, subject to prevailing laws, regulations and government policies at such time and, if required, the approvals from or registration with competent PRC government authorities, as soon as practicable, among other things, grant to the Issuer a standby facility pursuant to which the Company will remit an amount in CNY sufficient to enable the Issuer (a) in the case of (i) to discharge its obligations under the Bonds and the Trust Deed which will become due on the immediate next Interest Payment Date, or in the case of (ii) to discharge its obligations under or in respect of the Bonds and the Guarantee in accordance with the Terms and Conditions of the Bonds and/or the Trust Deed and otherwise under the Trust Deed and the Agency Agreement (including, without limitation, the principal amount of the Bonds then outstanding and any interest due and unpaid and/or accrued but unpaid), and (b) cover all costs, fees and expenses and other amounts payable to the Trustee and/or the Agents and/or the Account Bank under or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Deed of Equity Interest Purchase Undertaking, the Interest Reserve Account Agreement and/or the Keepwell Deed as at the date of the Liquidity Notice Date (including without limitation all foreign exchange conversion expenses) plus provisions for costs, fees and expenses and other amounts which may be incurred after the Liquidity Notice Date as notified by the Trustee.

Each of the Company and the Issuer agree and acknowledge that the terms of the standby facility shall be at arm’s length (or more favorable to the Issuer) and shall not require any security from the Issuer.

The Keepwell Deed is not a guarantee or a legal obligation of the Company to pay any amount due under the Bonds. The performance by the Company of its obligations under the Keepwell Deed may be subject to the approvals, registrations, filings or clearance or other authorisation of PRC government authorities and the Company will undertake to use its best endeavors to obtain the same. See *“Risk factors — The Keepwell Deed is not a guarantee of the payment obligations under the Bonds and the Guarantee.”*

THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

The Company will execute the Deed of Equity Interest Purchase Undertaking (as further described in *“Description of the Deed of Equity Interest Purchase Undertaking”*) in favor of the Trustee on the Issue Date. While the Keepwell Deed contains a general obligation requiring the Company to ensure that the Issuer and Wanda HK have sufficient liquidity to meet any payment obligations under the Bonds, the Deed of Equity Interest Purchase Undertaking provides a specified means by which the Company could assist the Issuer and the Subsidiary Guarantors to meet any outstanding debt obligations under the Bonds upon the occurrence of an Event of Default.

Under the Deed of Equity Interest Purchase Undertaking, the Company will undertake to the Trustee that upon receipt of a written notice from the Trustee following the occurrence of an Event of Default under the Bonds, the Company will, subject to obtaining all necessary consents and approvals from the relevant PRC authorities, purchase, either by itself or through a PRC incorporated subsidiary of the Company, all or any equity interests of a subsidiary of the Company that is held by the Relevant Transferor(s) (as defined in the Deed of Equity Interest Purchase Undertaking). The purchase price for any proposed acquisition will be determined by the Company provided that the relevant purchase price must be sufficient for the Issuer and the Subsidiary Guarantors to (i) discharge their respective obligations under the Bonds, the Guarantee and the Trust Deed, (ii) to pay for an amount equivalent to the interest amount in respect of one interest period on the Bonds and (iii) to pay for all costs, fees and expenses payable to the Trustee and/or the Agents and/or the Account Bank in relation to the Bonds, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Interest Reserve Account Agreement and/or the Deed of Equity Interest Purchase Undertaking.

Please see *“Risk factors — Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities.”*

INTEREST RESERVE ACCOUNT

On the Issue Date, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account (as defined in the Terms and Conditions of the Bonds) the amount of US\$43,500,000 (the “Relevant Balance”, as defined in the Terms and Conditions of the Bonds). Subject to certain exceptions as described in the Interest Reserve Account Agreement and the Terms and Conditions of the Bonds, the Issuer shall, at all times until all Bonds have been redeemed or purchased and cancelled in full, maintain a credit balance in the Interest Reserve Account that is equal to the Relevant Balance. In the absence of a Potential Event of Default (as defined in the Trust Deed) or Event of Default (as defined in the Terms and Conditions of the Bonds), the Issuer may, by written notice to the Account Bank, instruct the Account Bank to transfer that amount which is specified in such notice from the Interest Reserve Account in accordance with the Interest Reserve Account Agreement to the Principal Paying Agent for payment of any interest due and payable under the Bonds on the next Interest Payment Date falling immediately after the date of such written notice, for payment to the Bondholders in accordance with the Terms and Conditions of the Bonds and the Agency Agreement. After each such withdrawal is made, the Issuer shall deposit or procure there to be deposited a US dollar amount into the Interest Reserve Account within 30 days after the withdrawal to ensure that the Interest Reserve Fund after such deposit shall be no less than the Relevant Balance as of the date of deposit.

Upon the Bonds becoming due and payable following the occurrence of an Event of Default under the Bonds or upon the Trustee being notified in writing of the non-payment of principal in respect of the Bonds, the Interest Reserve Fund shall be held solely to the order of the Trustee and the Trustee shall be entitled to instruct the Account Bank to transfer such amount to the Trustee for application by the Trustee in accordance with the provisions of the Trust Deed towards payment of the amounts due under the Bonds and the Trust Deed and the other amounts payable under the Trust Deed.

Summary of the Offering

The following is a brief summary of the terms of this Offering and is qualified in its entirety by the remainder of this Offering Circular. For a detailed description of the Bonds, see the section entitled "Terms and Conditions of the Bonds." The terms and conditions of the Bonds prevail to the extent of any inconsistency set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds." References in this summary to "Bonds" refer to the US\$600,000,000 aggregate principal amount of 7.25 per cent. Guaranteed Bonds due 2024.

Issuer	Wanda Properties International Co. Limited.
Guarantee	<p>The Subsidiary Guarantors have unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed, as further described in Condition 3 of the Terms and Conditions of the Bonds.</p> <p>The Subsidiary Guarantors are Wanda Commercial Properties (Hong Kong) Co. Limited ("Wanda HK"), Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited. The Subsidiary Guarantors' obligations in respect of the Bonds and the Trust Deed are contained in the Trust Deed (and any supplement thereto).</p>
Issue	US\$600,000,000 aggregate principal amount of 7.25 per cent. Guaranteed Bonds due 2024.
Issue Price	99.036 per cent. of the principal amount of the Bonds.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of US\$200,000 each and integral multiples of US\$1,000 in excess thereof.
Interest	The Bonds will bear interest from and including the Issue Date at the rate of 7.25 per cent. per annum, payable semi-annually in arrear on January 29 and July 29 in each year.
Issue Date	January 29, 2014.
Maturity Date	January 29, 2024.
Status of the Bonds	The Bonds constitute direct, unsubordinated, unconditional and, subject to Condition 4(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves, as further described in Condition 3 of the Terms and Conditions of the Bonds.
Status of the Guarantee	The obligations of the Subsidiary Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge and Financial Covenants	The Bonds contain a negative pledge provision and financial covenants, each as further described in Condition 4 of the Terms and Conditions of the Bonds.
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.

Interest Reserve Account

On the Issue Date, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account US\$43,500,000 as the Relevant Balance, equivalent to the interest amount in respect of two interest periods on the Bonds. The Interest Reserve Account will be established in the name of the Issuer.

The Issuer shall, unless otherwise permitted under the Terms and Conditions of the Bonds or the Interest Reserve Account Agreement, maintain a credit balance in the Interest Reserve Account that is equal to the Relevant Balance. So long as no Potential Event of Default or Event of Default has occurred, the Issuer may by written notice to the Account Bank, instruct the Account Bank to release a specified amount from the Interest Reserve Account and transfer the same to the Principal Paying Agent for payment of any interest due and payable under the Bonds on the next Interest Payment Date falling immediately after the date of such notice, for payment to the Bondholders in accordance with the Terms and Conditions of the Bonds. After each such withdrawal is made, the Issuer shall deposit a US dollar amount into the Interest Reserve Account within 30 days after the withdrawal to ensure that the Interest Reserve Fund after such deposit shall be no less than the Relevant Balance as of the date of deposit.

See *“Terms and Conditions of the Bonds — Covenants — Interest Reserve Account.”*

Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Subsidiary Guarantors in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction (as defined in the Terms and Conditions of the Bonds) or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions of the Bonds. In such event, the Issuer or, as the case may be, the Subsidiary Guarantors shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.

Final Redemption

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on January 29, 2024.

Redemption for Tax Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with accrued interest, at any time in the event of certain changes affecting taxes of a Relevant Jurisdiction, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.

Redemption at the Option of the Issuer

At any time and from time to time, the Issuer may at its option redeem the Bonds, in whole but not in part, at a Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date, as further described in Condition 6(d) of the Terms and Conditions of the Bonds.

Redemption for Put Event	<p>At any time following the occurrence of a Put Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds, at 101 per cent. of their principal amount, together with accrued interest, as further described in Condition 6(c) of the Terms and Conditions of the Bonds.</p> <p>A Put Event will be deemed to occur if (i) there is a Change of Control Event, or (ii) there is a Rating Withdrawal Event, as described in Condition 6(c) of the Terms and Conditions of the Bonds. See "<i>Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Put Event.</i>"</p>
Clearing Systems	<p>The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depository for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.</p>
ISIN/Common Code	XS1023280271/102328027.
Governing Law	<p>The Bonds, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Interest Reserve Account Agreement will be governed by and will be construed in accordance with the laws of Hong Kong.</p>
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
Account Bank	The Bank of New York Mellon, Hong Kong Branch.
Listing	<p>Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors only.</p>
Further Issues	<p>The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) so as to form a single series with the Bonds, as further described in Condition 15 of the Terms and Conditions of the Bonds.</p>
Use of Proceeds	See section entitled " <i>Use of proceeds.</i> "
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see " <i>Risk factors.</i> "
Keepwell Deed	<p>The Issuer, the Company, Wanda HK and the Trustee will enter into a keepwell deed as further described in "<i>Description of the Keepwell Deed.</i>"</p>
Deed of Equity Interest Purchase Undertaking	<p>The Company and the Trustee will enter into a deed of equity interest purchase undertaking as further described in "<i>Description of the Deed of Equity Interest Purchase Undertaking.</i>"</p>

Selected financial information of the Company

The following tables present the summary financial information of the Company. The Company's summary consolidated financial statements as at and for the years ended December 31, 2011 and 2012 set forth below have been derived from the Company's consolidated financial statements as at and for the years ended December 31, 2011 and 2012, as audited by BDO Limited, its independent auditor, and included elsewhere in this Offering Circular. The Company's summary consolidated financial statements as at and for the six months ended June 30, 2013 have been derived from the Company's unaudited interim consolidated financial statements as at and for the six months ended June 30, 2013 included elsewhere in this Offering Circular. Such unaudited interim consolidated financial statements of the Company have been reviewed by BDO Limited. The financial position and results of operations of the Company as at and for the six months ended June 30, 2013 are not indicative of our financial position and results of operations for the full year of 2013.

Each of the Company's financial statements as at and for the years ended December 31, 2011 and 2012 and as at and for the six months ended June 30, 2013 have been prepared and presented in accordance with the IFRS. The summary financial statements below should be read in conjunction with the consolidated financial statements and the notes to those statements of the Company included elsewhere in this Offering Circular.

Summary consolidated income statement information

The table below sets forth, for the periods indicated, certain revenue and expense items for our consolidated operations and other financial data:

	For the year ended December 31,			For the six months ended June 30		
	2010	2011	2012	2012	2013	2013
				(unaudited)	(unaudited)	(unaudited)
	CNY	CNY	CNY	CNY	CNY	US\$
	(in millions)					
Turnover.....	39,613	54,041	62,877	19,733	33,817	5,526
Cost of sales	(20,898)	(28,995)	(31,666)	(9,333)	(19,059)	(3,114)
Gross profit	18,715	25,046	31,211	10,400	14,758	2,412
Other income, gains and losses	1,202	1,834	2,174	710	1,396	228
Selling and distribution expenses	(1,674)	(2,829)	(2,997)	(1,132)	(1,621)	(265)
Administrative expenses	(2,713)	(4,143)	(5,141)	(2,171)	(2,699)	(441)
Finance costs.....	(1,680)	(2,972)	(3,861)	(1,657)	(2,780)	(454)
Change in fair value of investment properties.....	12,424	16,428	23,824	4,923	4,897	800
Share of profit/(loss) of an associate	—	—	151	—	(139)	(23)
Profit before income tax expense	26,274	33,364	45,361	11,073	13,812	2,257
Income tax expense	(9,023)	(10,971)	(16,055)	(5,048)	(5,350)	(874)
Profit for the year/period ..	17,251	22,393	29,306	6,025	8,462	1,383
Other comprehensive income	35	—	—	—	(8)	(1)
Total comprehensive income	17,286	22,393	29,306	6,025	8,454	1,382
Attributable to:						
Owners of the Company ..	17,296	22,414	28,752	5,782	8,426	1,377
Non-controlling interests .	(10)	(21)	554	243	28	5
	<u>17,286</u>	<u>22,393</u>	<u>29,306</u>	<u>6,025</u>	<u>8,454</u>	<u>1,382</u>
Other financial Data (unaudited)						
EBITDA ⁽¹⁾	14,612	18,639	24,043	7,498	10,942	1,788
EBITDA margin ⁽²⁾	36.9%	34.5%	38.2%	38.0%	32.4%	32.4%

Summary consolidated financial position information

	As of December 31,			As of June 30,	
	2010	2011	2012	2013	2013
	CNY	CNY	CNY	(unaudited) CNY	(unaudited) US\$
	(in millions)				
ASSETS					
Non-current assets					
Property, plant and equipment	8,050	13,642	18,344	26,177	4,277
Investment properties	65,342	105,609	155,647	171,638	28,045
Land use rights	2,822	4,047	5,579	6,534	1,068
Goodwill	—	—	—	1,618	264
Available-for-sale financial assets	2	10	10	40	7
Intangible assets	15	50	82	105	17
Interests in associates	—	—	1,709	123	20
Long term receivables	12	11	11	11	2
Deferred tax assets	1,021	2,019	2,626	2,525	413
	<u>77,264</u>	<u>125,388</u>	<u>184,008</u>	<u>208,771</u>	<u>34,113</u>
Current assets					
Inventories	37,386	57,259	76,214	93,554	15,287
Trade and other receivables	12,396	14,149	17,228	16,009	2,616
Prepaid tax	207	1,756	3,123	3,440	562
Derivative financial asset	—	—	—	55	9
Pledged and restricted bank deposits	734	2,212	2,131	2,602	425
Bank balances and cash	35,090	44,048	48,585	73,681	12,039
	<u>85,813</u>	<u>119,424</u>	<u>147,281</u>	<u>189,341</u>	<u>30,938</u>
Total assets	<u>163,077</u>	<u>244,812</u>	<u>331,289</u>	<u>398,112</u>	<u>65,051</u>
Non-current liabilities					
Borrowings	51,754	53,136	71,547	118,228	19,318
Convertible bonds	—	—	—	62	10
Deferred income	—	—	134	883	144
Deferred tax liabilities	7,793	11,792	18,039	20,193	3,300
	<u>59,547</u>	<u>64,928</u>	<u>89,720</u>	<u>139,366</u>	<u>22,772</u>
Current liabilities					
Trade and other payables	13,632	28,304	33,459	38,445	6,282
Deferred income	—	—	191	193	32
Pre-sales proceeds received on sales of properties	37,781	71,274	94,111	103,269	16,874
Borrowings	8,885	16,611	21,681	17,944	2,932
Dividend payables	—	—	13	13	2
Tax payables	5,581	5,586	5,710	2,986	488
	<u>65,879</u>	<u>121,775</u>	<u>155,165</u>	<u>162,850</u>	<u>26,610</u>
Total liabilities	<u>125,426</u>	<u>186,703</u>	<u>244,885</u>	<u>302,216</u>	<u>49,382</u>
NET ASSETS	<u>37,651</u>	<u>58,109</u>	<u>86,404</u>	<u>95,896</u>	<u>15,669</u>
CAPITAL AND RESERVES					
Share capital	3,736	3,736	3,736	3,736	610
Reserves	33,875	54,354	81,054	87,446	14,289
Equity attributable to the shareholders of the Company	<u>37,611</u>	<u>58,090</u>	<u>84,790</u>	<u>91,182</u>	<u>14,899</u>
Non-controlling interests	40	19	1,614	4,714	770
Total equity	<u>37,651</u>	<u>58,109</u>	<u>86,404</u>	<u>95,896</u>	<u>15,669</u>

(1) EBITDA is not a standard measure under IFRS, but 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

performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA is calculated based on the profit for the year/period of the Company but does not account for finance costs, income tax expenses, depreciation and amortization and exclude change in fair value of investment properties, other losses/(gains) net and share of profit/(loss) of an associate. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as turnover 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 the Company’s profit before taxation for the year under IFRS to the Company’s definition of EBITDA.

- (2) EBITDA margin is calculated by dividing EBITDA by turnover for the relevant period, expressed as a percentage.

Selected financial information of Wanda HK

The following tables present the summary financial information of Wanda HK. Wanda HK's summary consolidated financial statements as at June 30, 2013 and for the period from February 6, 2013 (date of its incorporation) to June 30, 2013 have been derived from Wanda HK's unaudited interim consolidated financial statements as at June 30, 2013 and for the period from February 6, 2013 (date of its incorporation) to June 30, 2013 included elsewhere in this Offering Circular. Such unaudited interim consolidated financial statements of Wanda HK have been reviewed by BDO Limited, its independent auditor. The financial position and results of operations of Wanda HK as at June 30, 2013 and for the period from February 6, 2013 (date of its incorporation) to June 30, 2013 are not indicative of its financial position and results of operations for the full year.

Wanda HK's financial statements as at June 30, 2013 and for the period from February 6, 2013 (date of its incorporation) to June 30, 2013 have been prepared and presented in accordance with the IFRS. The summary financial statements below should be read in conjunction with the consolidated financial statements of Wanda HK and the notes to those statements included elsewhere in this Offering Circular.

As of the date of this Offering Circular, the main assets of Wanda HK are its holding of approximately 65% of indirect equity interest in the Hong Kong Listco and its 40% direct equity interest in the JV Company. For more information of the Hong Kong Listco, see "Description of Wanda HK – Acquisition and holding of the Hong Kong Listco" and the consolidated financial statements and the notes thereto included elsewhere in this Offering Circular. For more information of the JV Company, the Hong Kong Listco and the London Property, see "Description of Wanda HK – The Hong Kong Listco's property project in London."

Summary Consolidated Statements of Comprehensive Income

	From February 6, 2013 (date of incorporation) to June 30, 2013	
	HK\$ (unaudited)	US\$ (unaudited)
	(in thousands)	
Administrative expenses.....	(3,715)	(479)
Finance costs	(295)	(38)
Loss before income tax expense.....	(4,010)	(517)
Income tax expense	—	—
Loss and total comprehensive income for the period	(4,010)	(517)
Total comprehensive income attributable to		
Owners of Wanda HK	(4,010)	(517)
Non-controlling interest.....	—	—
	(4,010)	(517)

Summary Consolidated Statements of Financial Position

	As of June 30, 2013	
	HK\$ (unaudited)	US\$ (unaudited)
	(in thousands)	
Non-current assets		
Property, plant and equipment	16,148	2,082
Investment properties	2,493,712	321,558
Prepaid lease payments	21,647	2,791
Deposit	108,573	14,000
Goodwill	1,114,187	143,672
Deferred tax assets	72,433	9,340
	<u>3,826,700</u>	<u>493,443</u>
Current assets		
Inventories	696,000	89,748
Trade and other receivables	63,129	8,140
Derivative financial assets	69,599	8,975
Pledged and restricted bank deposits	63,175	8,146
Bank balances and cash	66,280	8,547
	<u>958,183</u>	<u>123,556</u>
Current liabilities		
Trade and other payables	916,125	118,132
Pre-sales proceeds received on sales of properties	133,135	17,167
Borrowings.....	752,056	96,976
Tax payables	506,901	65,364
	<u>2,308,217</u>	<u>297,639</u>
Net current liabilities	<u>(1,350,034)</u>	<u>(174,083)</u>
Total assets less current liabilities	<u>2,476,666</u>	<u>319,360</u>
Non-current liabilities		
Convertible bonds.....	77,185	9,953
Deferred tax liabilities	582,166	75,069
	<u>659,351</u>	<u>85,022</u>
Net assets	<u>1,817,315</u>	<u>234,338</u>
Capital and reserves attributable to owners of Wanda HK		
Share capital	—	—
Reserves	(4,010)	(517)
Equity attributable to owners of Wanda HK	<u>(4,010)</u>	<u>(517)</u>
Non-controlling interests	1,821,325	234,855
Total equity	<u>1,817,315</u>	<u>234,338</u>

Risk factors

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks that could affect the Company, the Issuer and Wanda HK and the value of the Bonds. Some risks may be unknown to the Company, Wanda HK and the Issuer and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations and prospects of the Company, Wanda HK and the Issuer. The market price of the Bonds could decline due to any of these risks, and investors may lose part or all of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Company, the Issuer and Wanda HK could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular. The Company, the Issuer and Wanda HK may be affected materially by requirements and restrictions that arise under PRC laws, regulations and government policies in nearly all aspects of its business in the PRC.

Risks relating to our business

Our operations are subject to extensive government policies and regulations, particularly changes in policies related to the PRC property industry and our operating regions

Our business is subject to extensive governmental regulations and we are susceptible to policy changes in the PRC property sector. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as controls over the supply of land for property development, maximum loan-to-value levels allowed for property developers, purchase limits on number of properties, the imposition of property taxes in Shanghai and Chongqing since early 2011 and controls over foreign exchange, property financing, taxation and foreign investment. The PRC government may also restrict or reduce land available for property development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector.

Since 2010, the PRC government had implemented a series of regulations and policies on property market to curb the property prices and dampen property speculation. These national or local policies may limit our ability to obtain financing, acquire land for future developments, sell our properties at a profit, generate sufficient operating cash flows from contracted sales, impose additional requirements for pre-sales or restrict the use of funds raised by pre-sale properties only for the purposes of the respective projects. In addition, policies implemented by the PRC government on bank loans and trust financing arrangements for property development projects since January 2010 have had, and may continue to have, a dampening effect on the property markets in which we operate. In February 2013, the State Council announced a series of policies to limit property speculation. Such policies include setting pricing targets for newly developed properties, requiring provincial governments to impose purchase limits and credit restrictions, expanding the scope of experimental property taxes, increasing the supply of land and residential units and tightening market regulations. It is expected that more detailed implementation measures may be adopted by provincial governments to reflect these policies of the State Council.

We cannot assure you that the PRC or local government will not adopt additional and more stringent industry policies, regulations and measures in the future. It is impossible to ascertain the extent of the impact of these measures or to accurately estimate our sales volume and turnover had the measures been introduced. If we fail to adapt our operations to new policies, regulations or measures that may come into effect from time to time with respect to the PRC property industry, or if our marketing and pricing strategies are ineffective in promoting our contracted sales, such policy changes may dampen our contracted sales and cause us to lower our average selling prices and/or incur additional costs, in which case our operating cash flows, gross profit margin, business prospects, results of operations and financial condition may be materially adversely affected. Please refer to the paragraphs headed “— Risks relating to the PRC” for more risks and uncertainties relating to the extensive PRC regulations.

Our business and prospects are dependent on the performance of the PRC property markets

The majority of our revenue is derived from development and sale of properties in first- and second-tier cities and other cities with high growth potential in the PRC. As at June 30, 2013, we had an aggregate of 90 property projects in various stages of development. Our business continues to be heavily dependent on the property markets in the regions where we operate. These property markets may be affected by local, regional, national and global factors, including economic and financial condition, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. These could lead to material adverse impact on our cash flows, financial condition and results of operations.

Cyclical nature in the consumer spending and retail industry will likely have a direct impact on our revenues and cash flow from sales of our commercial and residential properties and rental income from our investment properties

Demand for our commercial and residential properties and retail space, whether for purchase or for leasing, generally depends upon economic conditions in the cities and regional markets where we operate. Demand for commercial and residential properties and retail space in the cities and regions where we operate could be adversely affected by any of the following:

- weakness in the national and regional economies;
- adverse financial condition of certain large corporations and retail companies;
- supply exceeding demand for retail space in certain cities in the PRC;
- the timing and costs associated with property improvements and rentals;
- adverse government regulation, including taxation and zoning regulations; and
- higher interest rates.

To the extent that any of these factors occur, they are likely to impact market rents for commercial properties and retail space which will then affect the financial condition and results of our operations.

Our profitability and operating results are affected by the success of our business model

Our business model involves integration of our residential and commercial properties development and sale activities, and our investment properties and hotels ownership as well as operation activities, into a mixed-use complex that enhances the attractiveness and value of our complex and its surrounding area. Under this business model, our development and sale activities generate cash flows which support our capital needs for completing existing commercial and residential properties' developments and developing new investment properties and up-scale and above hotels while being able to maintain balanced operating cash flow.

Our success is dependent on our managerial and operational resources, ability to obtain financings and manage and control our cash flows, and our knowledge of the needs of our target customers and tenants as well as the market trends for the property and retail sectors. We cannot assure you that our business model will be successful in all the cities where we operate. If we fail to establish or expand our business model as much as anticipated, our business, financial condition and operating results may be materially and adversely affected.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC domestic economy. Whilst the PRC government and governments around the world had taken actions to address the financial crisis, financial institutions, companies, investors and consumers attempted to retrench in an effort to reduce exposure, save capital and weather the economic contraction, and the demand for and hence value of real estate and the supply of credit decreased.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the US, the unemployment rate remains high, and recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow down due to weakened exports.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the general demand for real estate property in the PRC, which may adversely impact our property sales. In addition, a portion of our hotel guests visit from the United States, countries within Europe and the Asia Pacific region. Deterioration in economic conditions in these countries may reduce the level of disposable income that consumers spend on leisure and entertainment activities and business trips, which may reduce their patronage of our hotels, and in turn could have a material adverse effect on our hotel business, financial condition, profitability and results of our operations. There is no assurance that further economic slowdown will not occur in the near future, or the PRC government's economic recovery will be sustainable or successful to address the economic slowdown. If market conditions deteriorate or a market downturn occurs again and becomes more severe, longer lasting or broader than expected, we could defer our expansion plans, delay our projects under development or face weakened sales and pre-sales which in turn could cause us to face a material loss of customers and revenue and our shareholder value and overall business prospects could be materially and adversely affected. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be adversely affected.

Our business is capital intensive. We may not be able to obtain sufficient funding for our business expansion on commercially reasonable terms, or at all

Property and hotel development is capital intensive, and we expect to continue to incur significant capital expenditures for construction and land acquisition. We finance our property projects primarily through bank loans, trust financings, proceeds from pre-sales of our properties and internally generated funds. Our shareholder, Wanda Group, is required to provide guarantee to us under certain bank loans. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties, some of which are beyond our control, including:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;
- our future results of operations, financial condition and cash flows;
- the condition of the international and domestic financial markets and financing availability thereof;
- our shareholder's ability to provide guarantee to us;
- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and
- changes in policies regarding regulation and control of the real estate market.

The PRC government has implemented a number of measures to manage money supply growth and credit availability, especially with respect to the property development sector. For example, commercial banks may not grant loans to property developers to pay land premiums, the grant of new project loans to property developers that leave land parcels idle or are engaged in land speculation has been prohibited, and the State Council has issued regulations that require at least 20% of the total investment in a welfare residential premises and ordinary commodity residential premises project to be funded by the developer's own capital and at least 30% for other types of property development projects. For further information, please refer to the section headed "PRC Regulations" in this Offering Circular. We cannot assure you that the PRC government will not introduce other initiatives that may further limit our access to capital, or that we will be able to secure adequate financing or renew our existing credit facilities on commercially reasonable terms, or at all.

In addition, unlike properties developed for sale which can be pre-sold (subject to applicable PRC laws relating to pre-sales) to finance other property developments, our investment properties and hotels require significant upfront capital expenditures but generate no cash inflow until the development has been completed and

the hotel operation or the lease with respect to the relevant investment properties commences. In addition, our investment properties and hotels require capital expenditures associated with periodic renovations. The cost of construction could have a material adverse effect on our business, financial condition and results of operations.

The fixed costs associated with owning hotels and investment properties, including rental property operating and maintenance expenses, hotel operating and maintenance expenses, taxes, other fees and payments, may be significant. There may not be sufficient and consistent market demand for hotels and rental properties in our target markets. We may be unable to reduce the fixed costs in a timely manner in response to a decline in demand for our hotel services or investment properties for rental, and any failure to adjust our fixed costs may adversely affect our business, financial condition and results of operations.

Our level of indebtedness and increases in financing costs may materially and adversely affect our financial performance and operating results

As of December 31, 2010, 2011, 2012 and June 30, 2013, our total borrowings amounted to CNY60,639 million, CNY69,747 million, CNY93,228 million and CNY136,172 million, respectively. As of June 30, 2013, CNY17,944 million of our borrowings was due within a period of less than one year and CNY118,228 million of our borrowings was due within a period of more than one year. In addition, as of June 30, 2013, there were outstanding convertible bonds, which were issued by the Hong Kong Listco, with present value of CNY 62 million in our unaudited consolidated statements of financial position.

Our level of indebtedness may adversely affect our future strategy and operations in a number of ways, including reducing the funds available to us for other purposes, limiting our ability to obtain adequate financing for working capital and capital expenditures for our projects, limiting our ability to invest in new projects, and hindering our ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions. There can be no assurance that our level of indebtedness and restrictions resulting therefrom will not materially and adversely affect our ability to finance our future operations or capital needs, successfully operate our business, engage in other business activities or pay dividends.

In addition, our interest costs incurred (including the capitalized portion) in the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were CNY3,596 million, CNY5,195 million, CNY6,709 million and CNY4,654 million, respectively. As of June 30, 2013, the interest rate on our borrowings ranged from 5.64% to 13.30%. A substantial portion of our borrowings are linked to benchmark lending rates published by PBOC. The PBOC has in the past raised the one-year benchmark lending rate from 5.31% to 5.56% in October 2010 and raised it several more times until it reached 6.56% in July 2011. In view of the risk of economic slowdown, the PBOC then lowered such rate to 6.31% on June 8, 2012 and to 6.00% on July 6, 2012. The PBOC may raise the benchmark lending rate again in order to control the growth rate of the PRC economy or for other policy objectives. Any increases in interest rates on our bank borrowings may have a material adverse effect on our business, financial condition and results of operations.

Our business relies on the availability of suitable land sites at commercially acceptable prices and our ability to identify and acquire suitable sites for future development

The growth and success of our business depend on our ability to continue acquiring land reserves in desirable locations that are suitable for our property and hotel projects at commercially reasonable prices. Our ability to acquire land may depend on a variety of factors, such as overall economic conditions, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. Our land reserves were primarily acquired in land auctions held by local governments. The availability and price of land sold at auctions 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. Our business prospects may be adversely affected to the extent that we are unable to acquire quality sites on a timely basis or at prices that will enable us to achieve sufficient returns.

Our results of operations may fluctuate from period to period

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. According to our accounting policy for revenue recognition, we recognize revenue from the sales and pre-sales of our properties upon delivery to purchasers. Because the timing of completion of our properties

varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold and the timing of completion of the properties we sell. Periods in which we pre-sell a large amount of aggregate GFA, however, may not be periods in which we generate a corresponding high level of revenue, if the properties pre-sold are not completed and delivered within the same period. The effect of timing of delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirement for land acquisition and construction costs as well as the limited supply of land. In addition, seasonal variations have caused fluctuations in our revenue and profits from quarter to quarter and we will continue to experience significant fluctuation in revenue and profits on an interim basis.

We had negative net operating cash flows for the six months ended June 30, 2012 and 2013. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially adversely affected

For the years ended December 31, 2010, 2011 and 2012, we generated positive operating cash flow as several of our projects commenced pre-sales and our investment properties began to generate regular rental income during the periods. However, we experienced negative operating cash flow during the six months ended June 30, 2012 and 2013. Our negative net operating cash flow was principally attributable to our management's business decision to manage our delivery schedule among our projects, long-term and capital intensive nature of development as the construction of property projects may take one year or longer before they generate positive net cash flow, land acquisitions and business expansion during the relevant period. Negative net operating cash flows would require us to obtain sufficient external financing to meet our financial needs and obligations. Although we recorded positive net operating cash flow for the years ended December 31, 2010, 2011 and 2012, we cannot assure you that we will not experience negative cash flow in the future or that external financing means will be available for funding any of such negative operating cash flow. We require funding to expand our business in acquiring land and in developing our property development projects. Our property development projects are generally funded through bank loans, trust financings, proceeds from pre-sales of our properties and internally generated funds. We cannot assure you that additional financing can always be obtained on satisfactory or commercially acceptable terms, or at all. A number of factors such as general economic conditions, our financial strength and performance, credit availability from financial institutions and monetary policies in the PRC may affect our ability to obtain adequate financing for our projects on favorable terms and to achieve a reasonable return on our projects. If we are unable to obtain sufficient external financing to meet our financial needs and obligations, we may be in default of our payment obligations and may not be able to develop our projects as planned. As a result, our business, financial condition and results of operations may be materially adversely affected.

We are subject to risks associated with certain covenants or restrictions under our bank borrowings or trust financing arrangements which may adversely affect our business, financial condition and results of operations

We are subject to certain restrictive covenants in the loan contracts between us and certain banks and the trust financing arrangements entered into by us. For instance, our loan agreements with certain commercial banks may restrict our operating subsidiaries from making any dividends to their shareholders or repaying intercompany loans without prior consent from the lenders. Our loan agreements with certain banks may contain cross-default clauses and if any cross-default occurs, such banks will be entitled to accelerate repayment of all or any part of the loans from such banks and to take action against all or any of the security for such indebtedness. During the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we did not default on any trust financing repayment. We may be required to seek banks' consent for carrying out any merger, restructuring, spin-off, incurrence of material debts or security, reduction of registered share capital, material asset transfer, liquidation, change in shareholding or management structure, or establishment of any joint venture. Furthermore, as long as such loans are outstanding, some of our relevant operating subsidiaries may not be able to provide guarantees to any third parties that would impair their ability to repay the relevant loans. It is not guaranteed that we can always comply with all covenants or restrictions under our bank loans and trust financing arrangements. Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of our loans, in which case our business, financial condition and results of operations will be adversely affected.

We may be adversely affected if we fail to fulfill our obligations under the trust financing arrangements

We enter into trust financing arrangements with certain trust financing companies acting as trustees of the respective trust funds to finance our property development projects. We enter into trust financing arrangements with trust financing companies. If we default on any trust financing repayment and thus breach the relevant trust financing agreement, we may be subject to litigation, our reputation may be damaged and it may be difficult for

us to raise further funds through trust financing at our expected cost. In addition, under certain trust financing arrangements, we granted a pledge of the equity interest held by us in, and/or land use rights or other assets held by, our relevant PRC subsidiary in favor of the trust financing company, or we transferred a minority equity interest in the relevant PRC subsidiary and pledged the remaining equity interest held by us in the relevant PRC subsidiary and/or our other assets to the trust financing company. Any default of such trust financing arrangements may prevent us from redeeming or repurchasing the pledged equity interest in our project companies and other pledged assets from the relevant trust financing companies. Any of the foregoing occurrences may adversely affect our business, financial condition and results of our operations.

The CBRC and/or other agencies of the PRC government may tighten the regulations relating to trust loans being provided to the property industry in the PRC, which may affect our ability to obtain trust loans

We have entered into a number of trust financing arrangements and utilized a significant amount of trust loans to finance our property development. Operation of trust financing companies in the PRC are primarily regulated by the CBRC pursuant to the Rules Governing Trust Financing Companies (《信託公司管理辦法》), which came into effect on March 1, 2007. Trust financing companies are therefore under the supervision and monitoring of the CBRC and are required to comply with the relevant notices and regulations promulgated by the CBRC. We cannot assure you that the PRC government will not implement additional or more stringent measures to limit the amount that trust financing companies can make available for the PRC property industry. If this were to happen, our ability to obtain trust loans may be adversely affected.

The success of our investment property business is dependent upon the financial condition of our tenants from the retail industry and the loss of key tenants or a downturn in the businesses of the tenants could have an adverse effect on the financial performance of our investment properties

The retail industry is subject to changing trends in consumer preferences. The success of tenants in our investment properties, especially shopping centers, is largely contingent on their ability to anticipate these trends and to cater to the tastes of their customers. Inaccurate forecasting of future demand could result in an excess or shortage of inventory. Our tenants may suffer a loss of profits if the products they offer are superseded by more modern or popular merchandise. In addition, the PRC Government may decide to further increase the consumption tax on manufacturers or importers of specific luxury consumer goods. If any of our tenants are subject to such tax or tax increase, they may have to increase the retail price of their products, which may have an adverse impact on their sales volume and revenue as well as the overall shopper traffic in our shopping centers.

As of June 30, 2013, our top 10 tenants in our investment properties accounted for approximately 30% of our total rental income from leasing of properties for the six months ended June 30, 2013. If these leases are terminated for any reason, or the tenants do not renew their leases at expiry or reduce their leased space or renew their leases at lower rentals or are unable to pay the rent, our revenue from rental income may be adversely affected. Replacement of tenants on satisfactory terms may not be found in time or at all.

Further, certain of our key tenants help generate shopper traffic. The loss of one or more of these key tenants may reduce shopper traffic, thereby reducing the attractiveness of our shopping centers to potential tenants and affecting the ability for us to retain existing tenants. This may adversely impact our operating results.

Intensified competition may adversely affect our business and financial position

In recent years, many property operators and developers have entered the property development market in the PRC. Some of them may have more financial and other resources than us and may be more sophisticated than us in terms of engineering, technical, marketing and management skills. Competition among property operators and developers in the PRC may result in an increase in the land acquisition costs and raw material costs, shortages in quality construction contractors, an oversupply of properties leading to decreasing property prices, further delays in issuance of government approvals and higher costs to attract or retain experienced employees, any of which may adversely affect our business and financial condition. Moreover, residential property markets across the PRC are influenced by various other factors, including changes in government policies or regulations, economic conditions, banking practices and customer sentiments. If we fail to respond appropriately to changes in the property markets where we have operations, our business and financial condition may also be adversely affected.

With regard to our investment properties, we face competition from the surrounding shopping centers in the area where our shopping centers are located. The new supply of retail projects in the cities and regions where our shopping centers are located could adversely impact the occupancy rates and revenues of the shopping centers,

which would in turn have adverse effects on our revenue from rental income and results of operations. Factors that affect the ability of our shopping centers to attract or retain tenants include the attractiveness of the building and the surrounding areas to prospective tenants and their customers and the quality of the building's existing tenants. Where properties of our competitors are developed or substantially upgraded and refurbished, the attractiveness of our shopping centers may be affected, which may adversely impact the rental rates and terms and hence reduce its income.

Our competitors in our hotel business range from operators of hotels located in the vicinity of our hotels, local hotel chains to large international hotel chains. The competition to attract customers is primarily based on the location of the hotel, price, property size, quality of rooms, amenities and facilities, customer brand recognition and loyalty, geographic coverage quality of services provided, and relationship with travel agents and third party wholesalers. Many of our competitors have operated in the industry for substantially longer periods of time than us and have accumulated more operational, managerial, sales and marketing experience, brand recognition, human resources and financial resources.

We cannot assure you that our competitors will not engage in construction of new hotels in markets in which we operate or plan to operate or engage in significant price discounting to attract customers. Furthermore, as a hotel operator, our continued success in maintaining and enhancing the recognition of our brand depends, to a large extent, on our ability to provide consistent, high-quality accommodations and services across our hotel portfolio and design and introduce new accommodations and services to meet customer demands. In addition, we must maintain our hotels' condition at a level that meets the demand of our customers, which requires ongoing renovations and other improvements. If we are unable to maintain and enhance our brand reputation, our occupancy and room rates may decline, which would adversely affect our business and results of operations.

Our third party hotel management companies and our anchor tenants may have interests that are not aligned with our objectives for our hotels and investment properties

The third party hotel management companies which manage our hotels and anchor tenants that rent and operate the retail units owned by us have non-exclusive arrangements with us and may own, operate or franchise other properties, including the properties that may compete with the properties owned by us. Therefore, the hotel management companies and our anchor tenants may have interests that do not align with our interests with respect to short-term or long-term goals and objectives. Disputes with our third party hotel management companies or anchor tenants or the early termination of our hotel management agreements or lease agreements with them could materially and adversely affect our business, prospects, financial condition and results of operations.

We guarantee mortgages provided to the purchasers of our property development projects and may become liable to mortgagee banks if customers default on their mortgage loans

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

As of December 31, 2010, 2011, 2012 and June 30, 2013, our outstanding guarantees in respect of our customers' mortgage loans amounted to approximately CNY17,682 million, CNY29,317 million, CNY34,073 million and CNY42,155 million, respectively. If substantial defaults occur in a depressed property market and we are called upon to honor our guarantees, our financial condition and results of operations will be adversely affected.

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

We are required to reassess the fair value of our investment properties at every reported balance sheet date. In accordance with IFRS, gains or losses arising from changes in the fair value of our investment properties should be accounted for in our income statements in the period in which they arise. Our valuations are based on current prices in an active market for similar properties or estimated by adopting income capitalization approach based

on existing and current market rents for similar properties, using capitalization rates that reflect current market assessments of the uncertainty in the market. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognized changes in fair values of investment properties and the relevant deferred tax in our consolidated income statements. We also capitalize construction costs incurred for investment properties under construction as part of the carrying amount of these properties under construction. For the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, we recognized fair value gain on our investment properties of CNY12,424 million, CNY16,428 million, CNY23,824 million and CNY4,897 million, representing 47.3%, 49.2%, 52.5% and 35.5% of our total profit before taxation for each period, respectively. As our investment properties increase (or decrease) in the future, our profitability may increase (or decrease) as a result of fair value gains or losses. In addition, fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control and we cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the historical levels, or at all, or that the fair value of our investment properties will not decrease in the future. If the fair value of our investment properties declines, our profitability would be materially and adversely affected.

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

Because investment properties and hotels in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. Our ability to eventually dispose of investment properties will be affected by market conditions and levels of liquidity, which may be limited or subject to significant fluctuation. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property.

In addition, investment properties and hotels may not be readily converted for alternative uses if they became unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties and hotels to alternative uses generally requires substantial capital expenditures. We cannot assure you that we will have sufficient funds to carry out the conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our hotels and retail properties could affect our ability to compete against our competitors and results of operations.

If we fail to develop land according to the land use right grant terms, our land use right may be subject to repossession by the PRC Government

Under PRC law, if a developer fails to develop land in accordance with the terms of the relevant land use right granting contract (including those relating to payment of fees, designated use of the land and time for commencement and completion of the development), the relevant government authorities may issue a warning to or impose a penalty on the developer or in the worst case scenario, resume possession of the land. Specifically, under current PRC laws, if we fail to commence development for more than one year but less than two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to us and impose an idle land fee on the land of 20% of the land grant premium. The relevant PRC land bureau may confiscate our land use rights without compensation if we fail to commence development within two years from the construction commencement date set forth in the land grant contract, unless the delay in the development is caused by government actions or force majeure. Moreover, if a property developer commences development of the land in accordance with the timeframe stipulated in the land grant contract and the developed GFA on the land is less than one-third of the total proposed GFA of the project or the total invested capital is less than one-fourth of the total investment of the project and the development of the land is suspended for more than one year without government approval, the land may be treated as idle land and subject to risk of forfeiture.

In September 2007, the Ministry of Land and Resources issued a new notice to further enhance control of the land supply, by requiring developers to develop land according to the terms of the land grant contracts and restricting or prohibiting any non-compliant developers from participating in future land auctions. In January 2008, the State Council issued a Notice on Promoting the Land Saving and Efficient Use (《關於促進節約集約

用地的通知》) to escalate the enforcement of current rules on idle land management. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterated then applicable rules on idle land management. On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (《閒置土地處置辦法》), which became effective on July 1, 2012. These further measures limit any application for new land use rights by land developers or process any title transfer transaction, lease transaction, mortgage transaction or land registration application in respect of idle land which breached the land grant contracts before the completion of the required rectification procedures.

We are subject to multiple regulations of the PRC Governmental authorities. Any non-compliance with these regulations or failure to obtain necessary government approvals for property development, leasing or hotel operations may have a material and adverse effect on our business, financial condition and results of operations

Our business is regulated by various PRC Governmental authorities and departments. In order to develop and complete a property development, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of property development and leasing, as well as for hotel operations, such as land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. For example, currently some of our subsidiaries are in the process of applying for certificates, licenses and approvals in relation to our projects, including land use rights certificates. Each approval is dependent on the satisfaction of certain conditions. There can be no assurance that we will receive such approval in a timely manner, or at all, or that we will not encounter other serious difficulties in the future. In addition, we are required to obtain various licenses for the operations of our investment properties and hotel and renew them on an ongoing basis. Any failure to obtain, or material delays in obtaining, the necessary government approval for any of our property development projects, or any withdrawal, suspension or non-renewal of any of our licenses, or the imposition of any penalties as a result of any infringement or non-compliance with any requirement of any of our licenses, could adversely affect our business and financial conditions. Further, any changes in laws and regulations, or the imposition of any new laws and regulations, may also have an impact on our businesses and result in higher costs of compliance.

In addition, if any PRC authority believes that we or any of our suppliers or contractors in the course of our operations are not in compliance with PRC regulations, it could delay or even shut down our construction or sales operations, refuse to grant or renew any necessary approvals or licenses, institute legal proceedings to seize our properties, enjoin future actions or impose civil and/or criminal penalties, pecuniary or otherwise, against us, our officers or our employees. Any such action by the PRC Governmental authorities would have a material adverse effect on our business, causing delays to our property development projects, or terminating them altogether.

We may be subject to fines due to the lack of registration of our leases

Pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of June 30, 2013, we had a number of leases that had yet to be registered with the relevant government authorities. We may be required by relevant government authorities to file the lease agreements for registration within a time limit, and may be subject to a fine for non-registration exceeding such time limit, which may range from CNY1,000 to CNY10,000 according to the lease agreements subject to the discretion of the government authorities.

We may encounter delay in issuance and delivery of title documents after sale and such delay may in turn give rise to claims from our customers

The sale contracts relating to our property projects are prepared in accordance with applicable legal requirements and if applicable, local regulations and practices prescribed by local governmental authorities. Under PRC laws, sale contracts must be properly registered with the relevant authorities in order for the property transfer to be effective, and the failure to so register may result in delay of the property transfer. We generally undertake to attend to all filing and registration procedures required of property developers so as to facilitate subsequent applications by our customers for issuance of strata-title Building Ownership Certificates (分戶產權證). If there are any changes in practice of the relevant government authorities or interpretation of the applicable rules and regulations, we may be under legal obligations to procure delivery of strata-title Building Ownership Certificates for our customers and we may experience delays which are beyond our control, such as time-consuming

examination and approval processes at various government agencies, in completing certain deliverables. In such circumstances, we may be subject to claims from our customers for breaching the terms of the sale contracts or otherwise and our business and financial condition may be materially and adversely affected and our reputation may be damaged in the case of serious delays of one or more of our property projects.

We may fail to promote or protect the value of our brands and third party infringement of our intellectual property rights may damage our reputation and adversely affect our business, operational performance and financial condition

We believe our brands, trade names, trademarks and other intellectual property rights are critical to our success. We currently operate a number of hotels under our own hotel brands, namely, Wanda Reign, Wanda Vista and Wanda Realm. We also use our brand “Wanda” to promote and operate our property projects. We intend to continue to use our brand “Wanda” to expand our property development business and develop more hotels under our own brand names. We believe brand awareness, image and loyalty are critical to our ability to achieve and maintain high average occupancy and average room rates, and to support the larger number of hotels we intend to operate and manage. If we fail to provide the service levels, the facilities and the experience promised by our marketing programs, then the value of our brands could be diminished, which would have a material adverse effect on our business, financial condition, profitability and results of operations.

Our success will also depend on our awareness of and our ability to prevent third parties from using our brands without our consent. We have been able to operate our property and hotel projects using existing intellectual property rights and have registered or have made an application to register these brands as trademarks in the PRC. Despite our precautions, it is not guaranteed that third parties will not infringe our intellectual property rights, such as using our brand name on their properties or other products, without authorization. If we are unable to secure the relevant trade name or trademark rights to our new brands, we could incur substantial costs in pursuing any claims relating to trade names or trademarks infringement. Issues relating to intellectual property rights can be complicated and there is no assurance that disputes will not arise or that any disputes in relation to our trademarks or brand names will be resolved in our favor. Future litigation could result in substantial costs and diversion of resources. If we are unable to secure the intellectual property rights to our property or hotel projects, it may have a negative impact on our ability to effectively market our property and hotels and our revenues and result of operations may be adversely affected.

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

We typically conduct our property development business in the PRC through project companies. Property developers in the PRC, including the project companies through which we operate, must obtain a formal qualification certificate in order to carry out property development business in the PRC. According to the Provisions on Administration of Qualification Certificates of Property Developers (《房地產開發企業資質管理規定》) (the “Qualification Certificate Regulation”), newly established developers must first apply for a temporary qualification certificate, which is initially valid for one year and can be renewed for a maximum of two years. Thereafter, the developer must apply for a formal qualification certificate under one of the four grades set out in the Qualification Certificate Regulation. All property developer qualification certificates are subject to renewal on an annual basis under the Qualification Certificate Regulation. A qualification certificate will not be granted or renewed until and unless the property developer meets the various requirements set out in the Qualification Certificate Regulation.

The property developer’s registered capital, property development investments, history of property development, quality of property construction, expertise of the management and any illegalities on the part of the property developer may be taken into account by the relevant authorities in deciding whether to renew the qualification certificates.

In general, property developers in the PRC must produce a valid qualification certificate when they apply for a pre-sale permit. If any one of our project companies is engaged in property development without obtaining or renewal of its qualification certificate, such project company may be ordered to correct and it may also be subject to a penalty of between CNY50,000 and CNY100,000. Failure to meet the requirements within the specified time-frame could result in the revocation of the business license of the relevant project company.

We are in the process of renewing formal qualification certificates for some of our project companies. There can be no assurance that the qualification certificates of any of our project companies will continue to be renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. If our project companies are unable to obtain or renew their qualification certificates, they may not be permitted to

continue to engage in property development or to conduct any pre-sales for that development, or the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements, either of which could materially and adversely affect our business, financial condition and results of operations.

We face risks associated with our third-party contractors

We engage third-party contractors to carry out various services relating to our property development projects. We generally select third-party contractors through a tender process and endeavor to engage companies with a strong reputation, professional qualifications, credentials in the project market, sound financial condition, experience and technical abilities. We will also take into consideration any previous working experience we had with them. We maintain an internal construction company “candidate-bank.”

However, it is not guaranteed that any such third-party contractor will never fail to provide satisfactory services at the level of quality or within the timeline required by us. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to a contractor’s financial or other difficulties. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, which could adversely affect the cost structure and development schedule of our projects and could have a negative impact on our reputation, credibility, financial condition and business operations. In addition, as we are expanding our business into other geographical locations in the PRC and overseas, there may be a shortage of third-party contractors that meet our quality standards and other selection criteria in such locations and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors.

In addition, if we expand our businesses to a new city or a country where we do not have any prior property development business, we may not be able to engage contractors in such other regions that can meet our quality and pricing requirements. Moreover, the contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our property projects or result in increased costs to us. All of these factors will have a negative impact on our reputation, credibility, financial position and business operations.

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

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of a property project may take longer than a year before it may generate positive cash flow through pre-sales or sales. The progress and costs for a development project can be adversely affected by many factors, including but not limited to:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation and/or compensation of existing residents and/or demolition of existing structures;
- shortages and/or rise in cost of materials, equipment, contractors and skilled labor;
- rise in borrowing or financing costs;
- labor disputes;
- construction accidents;
- natural catastrophes;
- discovery of artifacts in the construction site;
- adverse weather conditions; and
- lack of performance or failure of consultants or third party contractors to deliver on their obligations.

Construction delays or failure to commence or complete the construction of a project according to the permits for commencement of construction and its planned specifications, schedule or budget as a result of the above factors may affect our results of operations and financial position and may also cause reputational damage. We cannot assure you that we will not experience any significant delays in completion or delivery or that we will not be subject to any liabilities for any such delays.

We could face business and financial risks with respect to past and potential future acquisitions, mergers and strategic alliances

We could face significant management, administrative and financial challenges in achieving our key commercial objectives following any future mergers, acquisitions and strategic alliances. These challenges include but are not limited to:

- difficulties in the integration of the operations, technologies and personnel of the acquired company;
- loss of key management staff upon the merger and/or acquisition;
- diversion of management's attention away from other business concerns;
- expenses of any undisclosed or potential legal liabilities of the acquired company;
- legal, regulatory, contractual, labor or other issues that could arise from an acquisition; and
- inability to service any increased leveraged positions upon the merger/or acquisition.

The risks associated with mergers, acquisitions and strategic alliances could have a material adverse effect upon our business, financial condition and results of operations. We cannot assure you that we will be successful in integrating the acquired companies with our existing business and operations.

Potential liability for environmental problems may affect our business

Our businesses are subject to PRC environmental laws and regulations, including those related to air, noise pollution, water pollution and waste discharge. Compliance with such laws and regulations may substantially increase our property development costs.

As required by PRC environmental laws and regulations, an environmental impact assessment must be completed in respect of each of our property developments. Before commencement of such property development, submission to the relevant government authorities for approval of such environmental impact assessment is required. Upon completion of each property development, the relevant government authorities will inspect the site to ensure that applicable environmental standards have been complied with and that the resulting report is presented together with other specified documents to the local construction administration authorities for their record. While we believe that we have complied with such requirements for all of our respective completed property developments and properties under development, it is possible that such assessments did not reveal all potential environmental liabilities that may have a material adverse effect on our business and financial conditions.

Resettlement negotiations may incur additional costs or cause delays to our property development projects

Our land grant contracts always provide that the PRC Government shall provide with us the clean land free from any resettlement issues. However, it is not guaranteed the PRC Government and the party subject to the demolition and removal will be able to reach an agreement for compensation and resettlement timely. Any disputes between party subject to the demolition and removal and the PRC Government and delays in reaching the agreement for compensation or the demolition, procedure, if they occur, could adversely affect our reputation and delay our property development projects. In addition, any such delays to our property development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from rental proceeds (in the case of an investment property) and pre-sales of the relevant project and the recognition of sales as turnover upon completion (in the case of properties for sale), which may in turn adversely affect our business, financial position and results of operations.

In the event the total GFA of any of our property developments were to exceed the original authorized area, the excess GFA would be subject to governmental approval and payment of additional land premium

When the PRC Government grants the land use rights for a piece of land, it will specify in the land grant contract the use of the land and the total GFA that the developer may develop on this land. The actual GFA constructed, however, might exceed the total GFA authorized in the land grant contract due to factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of this excess GFA. If we fail to obtain the completion certificate due to such excess GFA, it will be difficult for us to complete the completion inspection and we will

not be allowed to deliver the relevant properties or recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts and be punished by the relevant authorities. We had circumstance whereby we exceeded the authorized GFA and were fined by the local authorities. We cannot assure you that the total constructed GFA of our existing projects under-development or any future property developments will not exceed the relevant authorized GFA upon completion or that we will be able to obtain governmental approval, pay the additional land premium and obtain the completion certificate on a timely basis.

Our success depends on the retention of our senior management team, key personnel and qualified employees to execute our business strategy

We depend on the services provided by our management and other qualified and experienced staff. As competition in the PRC for senior management and key personnel with experience in property development and property management is intense, and the pool of qualified candidates is very limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected. We are in process of establishing an internal human resources management system with a goal to reduce over-reliance on any specific management team member. Nevertheless, in case any core management team member leaves and we fail to find suitable substitutes timely, our business may be adversely impacted. Moreover, along with our growth and expansion into other regional markets in the PRC, we will need to employ, train and retain employees on a much larger geographical scale. If we cannot attract and retain suitable human resources, our business and future growth may be negatively affected.

In addition, our success of our hotel operations and our ability to expand our hotel business depends largely on our and our third party hotel management companies' ability to hire, train and retain appropriately qualified management team and employees with appropriate skills and cultural sensitivity to pursue our hotel business, customer service and sales and marketing activities. Skilled personnel in these areas have on occasion been in short supply and increased competition has led to a relatively high turnover rate for management personnel in the hotel industry. Any shortages in the future may affect our ability to open and operate our new hotels, increase competition for such personnel and hence the staff turnover and/or employment costs incurred by us. Any inability to hire, train and retain a sufficient number of qualified employees could materially adversely affect our hotel business.

In addition, labor disruptions at our hotels can also negatively affect our ability to operate. Labor disputes or strikes may result in labor shortage, which may adversely affect our operations or financial results.

Fluctuations in the price of construction materials and labor costs could adversely affect our operations and financial results

The cost of construction materials such as steel, cement as well as contractors' labor costs, which constitute a significant proportion of our payments to our construction contractors, may fluctuate. Any increase in the cost of construction materials or labor costs may result in additional costs to us and may lead to future increases in construction contract costs. Any increase in the cost of any significant construction materials will adversely impact our overall construction costs, which may adversely affect our operations and financial results.

We face risks of increasing difficulty in management of our subsidiaries as a result of the expansion of our business

In recent years, the scale of the Company's business continues to expand. At June 30, 2013, we had more than 250 subsidiaries in the PRC. Although we have established a set of internal control mechanisms to manage our subsidiaries, including personnel management policies, the internal control policies, as well as internal audit strengthening the control of our subsidiaries, our internal control mechanisms may be insufficient to adapt to the increasing number of subsidiaries.

We are uncertain whether we have maintained or will continue to maintain sufficient insurance coverage

We maintain certain insurance policies in the operation of business. See "*Description of the Company — Insurance.*" While we believe that we currently maintain adequate insurance coverage, there can be no assurance that we in fact maintain or will continue to maintain sufficient insurance coverage for the risks associated with the operation of our businesses. We do not take out insurance coverage against potential losses or damages with respect to our properties before their delivery to customers. Nor do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. We believe that third-party construction companies should bear such tortious and personal injury liabilities arising from our project sites. Furthermore,

there are certain types of losses, including but not limited to losses due to typhoon, flooding, war, civil disorder and earthquakes, which are only insurable on limited terms. With respect to losses which are covered by our policies, it may be difficult and may take time to recover such losses from insurers. In addition, we may not be able to recover the full amount from the insurer. There can be no assurance that our policies would be sufficient to cover all potential losses, regardless of the cause, or whether we can recover such losses. Therefore, while we believe that our practice is in line with the general practice in the PRC property development and hotel industry, there may be instances when we will have to absorb losses, damages and liabilities because of our lack of insurance coverage, which may in turn adversely affect our financial condition and results of operations.

We may be involved in legal and other proceedings arising from our operations from time to time

Currently we are involved in disputes with various parties involved in the development, sale and operation of our properties, such as contractors, sub-contractors, suppliers, construction companies, purchasers, tenants, third party hotel management companies, banks and others, as well as in connection with our acquisitions and divestitures. These disputes may lead to legal and other proceedings, and may cause us to suffer significant costs and delays. In addition, we may have compliance issues with or different interpretation of certain regulations from regulatory bodies and governmental authorities in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that may result in financial losses and in delays in the construction or completion of our property development projects. We may be involved in other proceedings or disputes in the future that may have an adverse effect on our business, financial condition, results of operations or cash flows.

We are exposed to contractual and legal risks related to our pre-sales

There are certain risks relating to the pre-sale of properties, which is widely adopted in the PRC. In addition to our pre-sale guarantee obligations discussed above under “— *We guarantee mortgages provided to the purchasers of our property development projects and may become liable to mortgagee banks if customers default on their mortgage loans,*” pursuant to PRC laws and regulations and our pre-sale contracts, we are required to provide for remedies for breach of our pre-sale undertakings. For example, if we fail to complete a pre-sold property development, we will be liable to the purchasers for their losses. There is no assurance that these losses will not exceed the deposits of the pre-sold units. If we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery. In the event that such delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim refunds and damages. There is no assurance that there will not be significant delays in completion and delivery of our projects.

An important source of financing for our property developments is the pre-sale proceeds of our properties. Therefore, if there is any increase in the amount of up-front expenditure which we must incur prior to obtaining the pre-sale permit or any other restriction that may restrict our ability to pre-sell our properties, we will be required to finance the various stages of our property developments through other alternative means. As a result, our business and financial conditions may be adversely affected.

In addition, under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties. However, there can be no assurance that the PRC Government will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Any such measure will adversely affect our cash flow position and force us to seek alternative sources of funding for much of our property development business.

Our provisions for the payment of LAT may not be adequate to cover our LAT obligations

Under PRC tax laws and regulations, properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and other ancillary facilities in the PRC is subject to LAT at progressive rates up to 60% of the appreciation value, with certain exemptions available for the sale of ordinary residential properties if the appreciation does not exceed 20% of the total deductible items, as such transactions are addressed under relevant tax laws. Sales of properties such as high-class apartments, villas and holiday villages are not eligible for such exemptions.

We made provisions for LAT in the amount of approximately CNY5,889 million in 2012 and CNY1,956 million in the first half of 2013. We have estimated and made provisions for what is believed to be the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations. In

the event that LAT eventually collected by the tax authorities upon completion of a tax audit exceeds the amount that we have provided for, our future net profits after tax will be adversely affected. While we believe that we have made adequate provisions for LAT, there is no assurance that such provisions will be adequate to cover our LAT obligations.

The terms on which mortgages are available, if at all, to purchasers of properties may affect our sales

Most of our purchasers of residential properties rely on mortgages to fund their purchases. An increase in interest rates may increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC Government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner which would make mortgage financing unavailable or unattractive to potential property purchasers. For example, on August 19, 2006, the PBOC set the minimum rate for property mortgages at 85% of the corresponding benchmark lending rate, which was set at 5.31% on December 23, 2008, and increased from 5.31% to 6.56% between December 2008 and July 2011. In June 2012, the PBOC decided to lower the benchmark one-year bank lending rate from 6.56% to 6.31%. The PBOC decided to further lower the benchmark one-year bank lending rate from 6.31% to 6.00% in July 2012. There is no assurance that the PBOC will not raise the benchmark rates in the future. If the availability or attractiveness of mortgage financing is reduced or limited, some of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

Accidents, injuries or prohibited activities in our investment properties and hotels may adversely affect our reputation and subject us to liability

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests) taking place in public places, such as shopping centers and hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment properties or hotels could adversely affect our safety reputation among customers and guests, harm our brand, decrease our overall rents and hotel occupancy rates, and increase our costs by requiring us to implement additional safety measures. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties or hotels, we may be held liable for costs or damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses, and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

False, inaccurate or negative media reports about us or our projects, whether substantiated or not, may create a negative impact on our reputation, divert our management's attention and adversely affect our business and results of operations

The development and future trends in the PRC property industry, including business strategies of major property developers, have been the focuses of numerous media reports. It is also common to see media reports of speculation or allegations of bribery or other type of corruption related to property developers' acquisition of land. As a leading property developer in China, information about us or our projects appears frequently in various media reports. If any of the media reports about us or our projects contains inaccurate information or negative allegations about us, whether or not substantiated, the reputation and public image of our Company and our projects may be adversely affected. In addition, such inaccurate or negative media reports may lead to regulatory investigations or scrutiny and require us to engage in other defensive actions, which may divert our management's attention and adversely affect our business and results of operations. We cannot assure you that there will not be any false, inaccurate or negative media reports or any regulatory investigations or scrutiny about us or our projects in the future.

In addition, we cannot make any assurance as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in the media is inconsistent or conflicts with the information contained in this Offering Circular, investors should not rely on any such information in making a decision as to whether to purchase the Bonds, and should rely only on the information included in this Offering Circular.

Additional risks relating to our hotel business

We may be unable to successfully implement our future expansion plans relating to our hotel business

We have experienced substantial growth in our hotel operations since the commencement of our hotel business in 2005. As of June 30, 2013, we have expanded our hotel portfolio to 39 up-scale and above hotels with a combined total of 11,891 rooms in China. Among the 39 hotels, 33 hotels are managed by third-party hotel management companies and six hotels are operated by us under our own brands. For the hotels managed by third parties, we mainly cooperate with five major hotel management groups, namely, Starwood, Hyatt, InterContinental, Accor and Hilton. We have operated hotels under our own brands since 2012. Currently we have three hotel brands, namely, Wanda Reign, Wanda Vista and Wanda Realm. As of June 30, 2013, we had an additional GFA of 2.7 million sq.m. under development or held for future development for hotel operations and a strong pipeline to open 62 new hotels.

Our expansion within the markets where we already have a presence may have an unintentional adverse effect on the financial performance of our existing hotels in operation. Our new and existing hotels in the same market segment and proximity may compete with each other through competitive practices such as lower room rates and, as a result, negatively affect our overall results of operations.

Expansion into new markets may also adversely affect certain of our non-financial key performance indicators, such as our average room rate and occupancy rate, as new markets may have lower average room rates than markets in which we currently have a presence and our new hotels tend to have a lower occupancy rate than our more mature hotels.

Our growth in the hotel business has placed substantial demands on our managerial, financial, operational and other resources. In order to manage our future expansion plans and ensure that our hotels are developed and operated to the consistent and high standards expected by our customers, we must continue to improve and expand upon each of these resources. If we are unable to successfully manage our planned future growth of our hotel business, we may be unable to recoup costs spent developing and initiating such growth, which may have a material adverse effect on our financial conditions and results of operations.

The development of new hotels in the PRC and international markets is subject to a number of risks beyond our control, including insufficient growth in demand for hotel rooms to justify the investment

In order to keep our hotel business competitive and realize future growth, we are, and will be, undertaking significant capital investment to increase our hotel portfolio. As of June 30, 2013, we had additional GFA of 2.7 million sq.m. under development or held for future development for hotel operations and a strong pipeline to open 62 new hotels. We also regularly review additional opportunities to add to our hotel portfolio. Further, it can take up to 18 to 24 months from site acquisition to completion of a new hotel, and demand for hotel rooms in a particular location may change significantly between the time when we make a decision to develop a new hotel to the time such hotel commences operations. If future demand for our hotels does not match the growth in our hotel portfolio, we may experience lower occupancy than expected or be required to adopt lower room rates to attract customers, which may result in us not being able to achieve a satisfactory return on our capital and have a material adverse impact on our financial condition and results of operations.

New project development for hotels are also subject to a number of additional risks, many of which are outside our control, including:

- market or site deterioration after acquisition;
- the possibility of construction delays or cost overruns due to delayed regulatory approvals, inclement weather, labor or material shortages, work stoppages and the unavailability of construction and/or long-term financing;
- natural disasters, social disorder and other extraordinary events or services; and
- political and regulatory risks.

The occurrence of any of these events could have a material adverse effect on the financial performance of any new hotel we develop.

We intend to refurbish or further develop our existing properties which could result in cost overruns or disruptions of our hotel operations

In order to improve and maintain the conditions of our hotels, we conduct refurbishments of our hotels regularly. These refurbishments may be more costly than expected and are subject to risk of delays and cost overruns. In addition, even though the operations of hotels under refurbishment or development may not need to be closed down entirely, there may be instances where refurbishment or development would seriously disrupt hotel operations and adversely affect the revenues of the relevant hotels. The disruptions and other risks associated with refurbishments and further development or our failure to improve and maintain the conditions of the hotels could have an adverse effect on our business, financial condition and results of operations.

Our results of operations may be affected by the performance and reputation of third party hotel management companies that manage our hotels

Some of our hotels are managed by third-party hotel management companies pursuant to management agreements and other related agreements. Therefore, our results of operations may be affected by the performance of these hotel management companies, as well as any adverse publicity or other adverse developments that may affect these companies or their brands.

Under the terms of these management agreements, the third party hotel management companies control the daily operations of our hotels. Although we have the rights to determine the annual budget of each hotel together with our third party hotel management companies and we also monitor their performance regularly, we do not have the direct authority to require any hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel (for example, setting room rates or managing hotel operating staff). Thus, even if we believe our hotels are being operated inefficiently or in a manner that does not result in optimal or satisfactory occupancy rates, gross operating profit margins or other performance indicators, we may not be able to require the management companies to change the way they manage our hotels.

All revenue generated by our hotels, including credit card receivables, is paid into an operating account held by us, from which operating and other expenses for the relevant hotels (including certain taxes), management fees and deposits into any reserve funds required by the applicable management agreement are drawn. In addition, in the event that we wish to replace any of our management companies, we may be unable to do so under the terms of our management agreements or we may need to pay substantial termination fees and may experience disruptions at the affected hotels. The effectiveness and performance of the hotel management companies in managing our hotels will, therefore, significantly affect the revenue, expenses and value of our hotels.

Our hotel operations will depend on availability of public transportation and infrastructure support in the surrounding areas

In addition to first- and second- tier cities and cities with high-growth potential, we also own and operate hotels in areas which are close to tourism attractions but not close to city centers. For instance, we currently have four hotels, including ski resorts, located in Changbaishan, which is within the Changbai Mountain Range in Jilin province, the north-eastern part of the PRC. Our target customers of those hotels are tourists who are interested in skiing and other outdoor activities.

However, hotels and resorts like those are not necessarily at locations with good public transportation links and developed infrastructure support. In such case, we have to rely on the PRC Government to develop connecting roads, public transportation system and the infrastructure facilities to grant our customers convenient access to our hotels. If the PRC Government fails to or does not timely develop such public transportation and infrastructure support surrounding and connecting our hotels, it may reduce the attractiveness of our hotels and resorts to potential customers and affect the revenue of our hotel operations.

Risks relating to the PRC

We are subject to the political, legal and economic risks of doing business in the PRC

Substantially all of our operations are, and will continue to be, located in the PRC. Our financial condition, results of operations and future prospects depend to a large extent on the success of our operations in the PRC and are subject, to a significant degree, to the political and economic situation and legal developments in the PRC.

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

- extent of government involvement;
- level of development;
- growth rate;
- economic and political structure;
- control of foreign exchange;
- allocation of resources; and
- regulation of capital reinvestment.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of other developed countries. The PRC Government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy and the PRC economy has been transitioning from a planned economy to a more market-orientated economy. The PRC Government however continues to play a significant role in regulating industries by promulgating industrial policies.

We cannot, however, predict whether changes in the political, economic and social conditions and policies in the PRC, or in the relevant laws, regulations and rules, may have a material adverse effect on our current or future business, financial condition and operating results. There is no assurance that the PRC Government will continue to pursue its current economic reform policies, or that such policies will successfully create economic growth to have favorable impacts on our future business, financial condition and operating results.

The legal system in the PRC is less developed than in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner

Substantially all of our operations are, and will continue to be, conducted in the PRC, which is a civil law system based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC Government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on our business and prospects. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes, which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on our prospects, financial condition and results of operations.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction.

Fluctuation of the Renminbi, particularly against the US dollar, could materially affect our financial condition and results of operations

The exchange rates between the Renminbi and the Hong Kong dollar, the US dollar and other foreign currencies is affected by, among other things, changes in political and economic conditions in the PRC. The Company's consolidated financial statements are presented in Renminbi, the Bonds are denominated in US dollars, Wanda HK and the Hong Kong Listco's financial statements are presented in Hong Kong dollars and a certain amount of our borrowings are denominated in Hong Kong dollars. Consequently, we bear currency

conversion risk and currency exchange rate risk. A devaluation of Renminbi may adversely affect the value, when stated in Hong Kong dollars or US dollars, of the return in investment received by us from our PRC subsidiaries. In an attempt to mitigate exchange rate risk, we currently have arranged for all of our PRC subsidiaries to distribute cash to us on a regular basis through the repayments of our intercompany loans.

As of June 30, 2013, we did not have any US dollar-denominated borrowings outstanding. In addition to the Bonds, we may in the future incur US dollar-denominated borrowings or other foreign exchange liabilities to finance further property development projects. Our costs of servicing these borrowings will vary according to the prevailing Renminbi to US dollar exchange rate and other currency exchange rates, and any devaluation of Renminbi against the US dollar will increase our cost of servicing such borrowings.

Renminbi is only convertible in respect of certain transactions described by the PRC GAAP as “current account” transactions. Currently, Renminbi amounts in respect of “capital account” transactions are not convertible without prior approval from the PRC Government. The value of Renminbi is subject to changes in the PRC Government policies and to international economic and political developments. Although the official exchange rate for the conversion of Renminbi to US dollars has been relatively stable, there can be no assurance that such exchange rate will remain stable in the future.

On July 21, 2005, PBOC announced changes to the Renminbi exchange rate regime. From that date onwards, the PRC moved into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies and the Renminbi will no longer be pegged specifically to the US dollar. The current exchange rate regime does not constitute a strict peg of the Renminbi to the basket of currencies, but instead the Renminbi is allowed to fluctuate within a narrow +/-1.0% range around a central parity rate defined as the previous day’s closing CNY/US\$ rate. The reference basket will be used as a guide as to whether the CNY/US\$ rate should rise or fall. The PBOC has also subsequently introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps in the domestic market, the relaxation on Renminbi trading by non-financial institutions and the introduction of market makers, comprising both domestic and foreign banks, for trading of Renminbi.

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the US dollar, the Hong Kong dollar or other foreign currency. To the extent that we need to convert the proceeds from future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Although not currently anticipated, any devaluation of the Renminbi would adversely affect the value of our revenues and our other earnings in foreign currency terms. Moreover, our financial condition and results of operations may be adversely affected by changes in the value of certain currencies other than the Renminbi in which our subsidiaries’ financial and other obligations are denominated.

There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. We do not engage in any hedging activities. We may enter into foreign exchange or interest rate hedging arrangements in respect of our US dollar-denominated liabilities under our borrowings. 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, and such agreements may be secured by pledges of our cash and other assets as permitted under the Trust Deed. If we were unable to provide such collateral, it could constitute a default under such hedging agreements.

Profits from our subsidiaries in the PRC available for distribution are determined under PRC GAAP

We derive substantially all of our profits from our operating subsidiary companies established in the PRC. The profits available for distribution by us are therefore dependent on, to a significant extent, the profits available for distribution by our subsidiaries in the PRC. In turn, profits available for distribution by companies established in the PRC are determined in accordance with PRC GAAP and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the recognition of the carrying value of certain assets. In addition, under the relevant PRC financial regulations, profits available for distribution are determined after transfers to statutory reserve funds.

It may be difficult to enforce against us, our directors or our senior management in the PRC any judgments obtained from non-PRC courts

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult or impossible for you to enforce against us, our directors or our senior management in the PRC any judgments obtained from non-PRC courts.

Acts of God, acts of war, epidemics, such as severe acute respiratory syndrome (SARS), H5N1 or H7N9 avian flu or H1N1 influenza, and other disasters may affect our business

Our business is subject to general and social conditions in the PRC. Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are under the threat of flood, earthquake, rainstorm, typhoon, sandstorm or drought. Our business, financial condition and operating results may be materially and adversely affected if any of these natural disasters occurs in the areas in which we operate. In addition, real estate in the PRC may be subject to expropriation by the government for the purpose of public interest. If any of our investment properties or hotels were acquired compulsorily by the PRC Government, we may not receive the full amount of the property's fair market value as compensation and we may not be able to replace the revenue streams we lose as a result of our loss of ownership in the property.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods as well as living and consumption patterns. Certain areas of the PRC are susceptible to epidemics, such as Severe Acute Respiratory Syndrome ("SARS"), the H5N1 avian flu and H1N1 influenza, natural disasters or severe weather conditions. In April 2013, there were reports of cases of H7N9 avian flu in southeast China, including deaths in Shanghai. The occurrence of an epidemic is beyond our control and there is no assurance that the outbreak of SARS, H5N1 avian flu or H1N1 influenza will not happen again. It is also not guaranteed that the situation of the H7N9 avian flu will not continue or worsen in the PRC. Any epidemic occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition and operating results.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees, facilities, our distribution channels, markets, suppliers and customers, the occurrence of any of which may materially and adversely affect our business, revenue, cost of sales, financial condition and operating results. Potential war or terrorist attacks may also cause uncertainties and cause our business to suffer in ways that we cannot currently predict. With regard to our hotel business, the consequences of any terrorist attacks or armed conflicts are unpredictable and may include the issuance of travel advisories warning people to defer and/or avoid travel to certain locations in which our hotels operate, as well as a general reluctance of people to travel. We may not be able to foresee events that could have an adverse effect on the travel and hospitality and leisure industry, the locations in which our resorts and hotels are located and our business and results of operations.

The facts and statistics included in this Offering Circular relating to the PRC's economy and its property development might not be accurate

All facts and statistics in this Offering Circular relating to the PRC's economy and property development sectors are extracted from publicly available publications. While our Directors have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us or our advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to a lack of information regarding methods or the accuracy of data collection and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Risks relating to the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed

As a holding company, we mainly rely on dividends and repayments on intercompany loans from our subsidiaries for funding

As a holding company, we operate our business mainly through our subsidiaries. We also fund our subsidiaries through intercompany loans. The availability of funds to service our debts and our ability to meet our

obligations under the Keepwell Deed and Deed of Equity Interest Purchase Undertaking depends upon dividends and repayments on intercompany loans received from our subsidiaries. If our subsidiaries incur debt, the holders of such debt may be able to impair the ability of such subsidiaries to pay dividends or other distributions to us. As a result, our ability to service our debt and our ability to meet our obligations under the Keepwell Deed and Deed of Equity Interest Purchase Undertaking will be restricted.

PRC laws require that dividends can only be paid out of the net income calculated according to PRC GAAP and financial regulations in the PRC. In addition, the PRC laws require the companies incorporated in the PRC to set aside part of their net income as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Such restrictions may have adverse effect on our ability to service our debts and our ability to meet our obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking as we rely heavily on dividends and repayments from these entities.

The Bonds and the Guarantee are unsecured obligations

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Subsidiary Guarantors, respectively. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or any of the Subsidiary Guarantors enters into bankruptcy, liquidation, reorganization or other winding-up proceedings;
- there is a default in payment under the Issuer's or any Subsidiary Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or any Subsidiary Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Subsidiary Guarantors' assets may not be sufficient to pay amounts due on the Bonds.

The Keepwell Deed is not a guarantee of the payment obligations under the Bonds and the Guarantee

The Company will enter into the Keepwell Deed in relation to the Bonds. See "*Description of the Keepwell Deed.*" Upon the occurrence of an event of default as set out in Condition 9 in the Terms and Conditions of the Bonds, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed. However, neither the Keepwell Deed nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the Bonds or Wanda HK under the Guarantee. Accordingly, the Company will only be obliged to cause the Issuer or Wanda HK to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer or Wanda HK to pay such payment obligations in full as they fall due, rather than assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company performs its obligations under the Keepwell Deed in causing the Issuer or Wanda HK to obtain, before the due date of the relevant payment obligations, funds sufficient meet its obligations under the Bonds or the Guarantee, such performance may be subject to obtaining prior consent, approvals, registration and/or filings from relevant PRC governmental authorities, including the NDRC, MOFCOM and SAFE. Similarly, even if the Company intends to, in accordance with its obligations under the Keepwell Deed, grant the Issuer a standby facility pursuant to which the Company will remit an amount sufficient to discharge the Issuer's payment obligation under the Bonds, the Trust Deed, the Interest Reserve Account Agreement and the Keepwell Deed, the Company may not be able to grant such standby facility due to reasons beyond its control, such as the failure or inability to obtain any required consents, approvals, registrations and/or filing from relevant PRC government authorities and unforeseeable changes in government policies or regulations.

In addition, under the Keepwell Deed, the Company will undertake to cause the Issuer and Wanda HK to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Bonds and/or the Guarantee. However, any claim by the Issuer, Wanda HK and/or the Trustee against the Company in relation to the Keepwell Deed will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which have not provided the Guarantee), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (which have not provided the Guarantee) will have priority to the assets of such entities over the claims of Wanda HK and the Trustee under the Keepwell Deed.

The obligations of the Subsidiary Guarantors under the Guarantee are structurally subordinated to the liabilities and obligations of their respective subsidiaries

The Subsidiary Guarantors are holding companies that mainly conduct their business through their respective subsidiaries, and the Subsidiary Guarantors' ability to perform their obligations under the Guarantee is effectively dependent on the cash flow of their respective subsidiaries. See "*Risk Factors — Risks relating to the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed — Risks relating to the Issuer and the Subsidiary Guarantors.*" Any claim by the Trustee against any of the Subsidiary Guarantors in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Subsidiary Guarantors' subsidiaries (which have not provided the Guarantee), and all claims by creditors of such subsidiaries (which have not provided the Guarantee) will have priority to the assets of such entities over the claims of the Trustee under the Guarantee.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities

The Company intends to assist the Issuer and the Subsidiary Guarantors to meet their obligations by entering into the Deed of Equity Interest Purchase Undertaking on the Issue Date. Under the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase from any one or more Subsidiary Guarantors or any offshore subsidiary of the Company (each, a "Relevant Transferor") their equity interest in certain onshore or offshore subsidiaries at a purchase price, subject to the terms in the Deed of Equity Interest Purchase Undertaking and the applicable PRC laws and regulations, not lower than the amount sufficient to enable the Issuer and the Subsidiary Guarantors to discharge their respective obligations under the Bonds and the Trust Deed.

Performance by the Company of the Deed of Equity Interest Purchase Undertaking may be subject to the approvals of or registrations with:

- NDRC or its local office in respect of the transfer of the equity interest in the offshore subsidiaries from the Relevant Transferor to the Company;
- the MOFCOM or its local office in respect of the transfer of the equity interest in the onshore or offshore subsidiaries from the Relevant Transferor to the Company;
- the PRC State Administration for Industry and Commerce or its local office in respect of the transfer of the equity interest in the onshore subsidiaries from the Relevant Transferor to the Company;
- the relevant PRC tax authorities in respect of withholding tax for the Relevant Transferor;
- SAFE or its local office in respect of (i) changing the SAFE registration of, or in connection with, the onshore or offshore companies being sold, and (ii) the remittance of the purchase price, denominated in US dollars, from the Company in the PRC to the Subsidiary Guarantor(s) in Hong Kong (where applicable); and
- other approvals, registrations and/or filings required under the applicable PRC laws, regulations or policies.

As the approval process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain either the requisite approvals or registrations in time, or at all, or that the PRC government's relevant policies or regulations will not change in the future. In the event that the Company fails to obtain the requisite approvals or registrations, the Issuer and the Subsidiary Guarantors may have insufficient funds to discharge their outstanding payment obligations to the holders of the Bonds.

Further, in the event of an insolvency of a Relevant Transferor, any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. The Trustee's claim against the sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third party creditors of such Relevant Transferor where it is the Subsidiary Guarantor. Where a Relevant Transferor is not a Subsidiary Guarantor, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favor of third party creditors

Under the terms of the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase or procure a subsidiary of the Company to purchase from one or more Relevant Transferor the equity interest held by it upon the occurrence of an event of default under the Bonds. The ability of the Company to perform this undertaking may be affected by any present or future financing agreements of the Company and its subsidiaries:

- in the event that such financial agreements contain non-disposal or other restrictive covenants that would prevent the sale of an equity interest by a Relevant Transferor, the Company and its subsidiaries would need to obtain the consent from the third party creditor before the Relevant Transferor is able to proceed with the sale of such equity interest; and
- in the event that certain equity interests have been secured in favor of third party creditors, the Company and its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such equity interests.

Under the Terms and Conditions of the Bonds and the Keepwell Deed, there are no restrictions on the Subsidiary Guarantors or their respective subsidiaries entering into financing agreements with such non-disposal or other restrictive covenants or securing the equity interests of any member of the Subsidiary Guarantors and their subsidiaries' in favor of its creditors. In the event the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective, there is no assurance that the relevant Subsidiary Guarantor will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the equity interest to proceed. If such consents or releases cannot be obtained, the relevant Subsidiary Guarantor may need to repay the indebtedness owed to its third party creditors in order to be able to sell the relevant equity interests to the Company, failing which, the Issuer and the Subsidiary Guarantors may have insufficient funds to discharge their payment obligations to the holders of the Bonds.

In addition, third party shareholders' consent may also be required in the following circumstances:

- if the Company chooses to acquire the equity interest of companies that are owned by the Hong Kong Listco, this would amount to a connected transaction under the Listing Rules and such sale would need to comply with the requirements of the Listing Rules, including that the sale is approved by the independent shareholders of Hong Kong Listco (where Wanda Commercial Properties Overseas Limited, the major shareholder of the Hong Kong Listco would need to abstain from voting). Furthermore, any lending of such sale proceeds from the Hong Kong Listco to the Issuer or a Subsidiary Guarantor in order for them to meet their respective obligations under the Bonds or the Guarantee would also amount to a connected transaction under the Listing Rules that would require, among other things, independent shareholders' approval; and
- if the Company chooses to acquire the equity interests of certain non-wholly-owned companies of a Relevant Transferor, this may be subject to pre-emptive rights or other restrictions in such company's articles of association, shareholders' agreement or otherwise that would require the selling shareholder to obtain consent or waiver from other third party shareholders before any equity interest can be sold to the Company or its subsidiaries or affiliate.

In the event the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective, there is no assurance that any required approvals or waivers can be obtained from third party shareholders in a timely manner or at all.

See *"The Issuer and the Subsidiary Guarantors have limited assets which can be sold to the Company pursuant to the Deed of Equity Interest Purchase Undertaking."*

The Issuer and the Subsidiary Guarantors have limited assets which can be sold to the Company pursuant to the Deed of Equity Interest Purchase Undertaking

Under the terms of the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase or procure a subsidiary of the Company to purchase from a Relevant Transferor the equity interest held by it upon the occurrence of an event of default under the Bonds.

As of the date of this Offering Circular, the Issuer and the Subsidiary Guarantors have very limited assets that can be sold to the Company in the event that the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective. The assets of Wanda HK as of the date of this Offering Circular are mainly comprised of a 40% equity interest in the JV Company and an approximately 65% equity interest in the Hong Kong Listco. The Hong Kong Listco holds a 60% equity interest in the JV Company and an approximately 50.53% equity interest in a project company in the PRC.

The acquisition of these assets will be subject to regulatory and other approvals, including:

- if the Company decides to acquire the 40% equity interest in the JV Company, this would be subject to certain approvals and registrations of the PRC governmental authorities, including the NDRC or its provincial department, MOFCOM or its provincial department and the relevant SAFE branch since this amounts to an overseas investment by the Company;
- if the Company decides to acquire the 65% equity interest in the Hong Kong Listco (or any of the shareholding interest in the intermediate holding companies), this would be subject to certain approvals and registrations of the PRC governmental authorities, including the NDRC or its provincial department, the MOFCOM or its provincial department and the relevant SAFE branch since this amounts to an overseas investment by the Company; and
- if the Company decides to acquire any equity interest of PRC-incorporated subsidiaries of the Hong Kong Listco, this would require, among other things, the approval of the independent shareholders' of the Hong Kong Listco and certain approvals and registrations of the PRC governmental authorities, including the MOFCOM or its provincial department, the relevant SAFE branch and the relevant industrial and commercial bureau since this amounts to the change of shareholders of a foreign invested company in China.

See “*Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favor of third party creditors*” and “*Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities.*”

There is no assurance that such approvals can be obtained in a timely manner, or at all. In the event that such approvals cannot be obtained and there are no other future assets that the Company can purchase, the Deed of Equity Interest Purchase Undertaking may not be effective in enabling the Company to assist the Issuer and the Subsidiary Guarantors with their respective obligations under the Bonds, the Guarantee and the Trust Deed.

If the Issuer or any of the Subsidiary Guarantors is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer or the relevant Subsidiary Guarantor's debt to be accelerated

If the Issuer or any Subsidiary Guarantor is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the relevant Subsidiary Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by a Subsidiary Guarantor under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that our assets and cash flows would be sufficient to repay in full all of the Issuer's or such Subsidiary Guarantor's indebtedness, or that it would be able to find alternative financing. Even if the Issuer or any of the Subsidiary Guarantors could obtain alternative financing, there can be no assurance that it would be on terms that are favorable or acceptable to the Issuer or the relevant Subsidiary Guarantor(s).

The holders of the Bonds have no security interest in the Interest Reserve Account

The Interest Reserve Fund may only be used in accordance with the terms of the Trust Deed and the Interest Reserve Account Agreement. Upon the Bonds becoming due and payable following the occurrence of an Event of Default under the Bonds or upon the Trustee being notified in writing of the non-payment of principal in respect of the Bonds, the Interest Reserve Fund shall be held solely to the order of the Trustee and the Trustee shall be entitled to instruct the Account Bank to transfer such amount to the Trustee for application in accordance with the provisions of the Trust Deed towards payment of the amounts due under the Bonds and the Trust Deed and all

other amounts payable under the Trust Deed. However, such contractual arrangement under the Trust Deed and the Interest Reserve Account Agreement does not constitute a security, pledge, charge or any other form of encumbrance over the Interest Reserve Account or the Interest Reserve Fund in favor of the Trustee and the holders of the Bonds. As a result, the holders of the Bonds are unable to enforce, take possession or dispose of any security over the Interest Reserve Account to satisfy the Issuer's obligations under the Bonds. In addition, in the event of an insolvency of the Issuer, the Interest Reserve Fund may be subject to the insolvency claims of third party creditors of the Issuer. The Trustee's claim against the Interest Reserve Fund will be an unsecured claim and may rank lower in priority to any claims by secured third party creditors of the Issuer.

The liquidity and price of the Bonds following this offering may be volatile

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

A trading market for the Bonds may not develop

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, our operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

The ratings of the Bonds may be downgraded or withdrawn

The Bonds are expected to be assigned a rating of "BBB-" by S&P, a rating of "Baa3" by Moody's and a rating of "BBB+" by Fitch. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Subsidiary Guarantors to perform their respective obligations under the Bonds and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and the Issuer's or the Subsidiary Guarantors' ability to access the debt capital markets.

The insolvency laws of British Virgin Islands and Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar

As the Issuer and the Subsidiary Guarantors are incorporated under the laws of British Virgin Islands and Hong Kong, any insolvency proceeding relating to the Issuer or the Subsidiary Guarantors would likely involve British Virgin Islands or Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Exchange rate risks and exchange controls may result in a Bondholder receiving less interest or principal than expected

The Issuer will pay principal and interest on the Bonds in US dollars. This presents certain risks relating to currency conversions if a Bondholder's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than US dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor's Currency) and the

risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollar would decrease (i) the Investor's Currency equivalent yield on the Bonds; (ii) the Investor's Currency equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency equivalent market value of the Bonds.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Bondholder may receive less interest or principal than expected, or no interest or principal.

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

In certain circumstances, including without limitation giving of notice to the Issuer pursuant to Condition 9 and taking enforcement steps pursuant to Condition 13, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions if not 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 or prefunding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions of the Bonds) or the Terms and Conditions of the Bonds 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 Bonds to take such actions directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individuals.

Risks relating to the Issuer and the Subsidiary Guarantors

The Issuer and the Subsidiary Guarantors are our wholly-owned subsidiaries, have limited operations of their own and will be dependent upon payments from us and our subsidiaries to meet their respective obligations under the Bonds and the Guarantee.

The Issuer is our wholly-owned subsidiary with no business operations other than issuing the Bonds and engaging in related transactions and future issuances of debt securities in accordance with the Terms and Conditions of the Bonds. The proceeds from the issuance of the Bonds will be used by the Issuer to provide financing to us for the uses described in "Use of proceeds" elsewhere in this Offering Circular and not for the Issuer's own use. Bondholders' recourse to the Issuer is limited as the Issuer has only limited assets. The Issuer's ability to make payments on the Bonds is dependent directly on payments (in the form of capital injections, intercompany loans or otherwise) to the Issuer by us and certain of our subsidiaries, which will depend on a number of factors, some of which may be beyond our and their control. If we or any of our subsidiaries are unable to make timely payments to the Issuer, the Issuer will not have any other source of funds to meet its payment obligations under the Bonds.

In addition, as the Subsidiary Guarantors are principally holding companies with limited operations of their own and very limited operation history, the Subsidiary Guarantors will depend, to a significant extent, upon the receipt of dividends from their subsidiaries and associated companies and capital injections and loans from us to meet their overhead expenses and to make payments with respect to their obligations, including their obligations under the Guarantee. The ability of subsidiaries and associated companies of the Subsidiary Guarantors to pay dividends to their shareholders is subject to the performance and profitability of such subsidiaries and associated companies and to applicable law and restrictions contained in debt instruments of such subsidiaries and associated companies, if any. Our financing to the Subsidiary Guarantors is also subject to a number of factors, some of which may be beyond our control. No assurance can be given that the Subsidiary Guarantors will have sufficient cash flow to satisfy their obligations, including the obligations under the Guarantee.

Capitalization and indebtedness

Capitalization and indebtedness of the Company

The following table sets forth the Company's consolidated capitalization and indebtedness at June 30, 2013 on an actual basis and on an adjusted basis after giving effect to (i) the 2013 Guaranteed Bonds and (ii) the issuance of the Bonds. The following table should be read in conjunction with the Company's consolidated financial statements and related notes included in this Offering Circular.

	At June 30, 2013					
	Actual		As adjusted for the 2013 Guaranteed Bonds		As adjusted for the issue of the Bonds	
	CNY in millions	US\$ in millions	CNY in millions	US\$ in millions	CNY in millions	US\$ in millions
Short-term interest-bearing borrowings						
Borrowings (amount due within one year)	17,751	2,900	17,751	2,900	17,751	2,900
Current portion of long-term borrowings	193	32	193	32	193	32
Total	<u>17,944</u>	<u>2,932</u>	<u>17,944</u>	<u>2,932</u>	<u>17,944</u>	<u>2,932</u>
Long-term interest-bearing borrowings						
Borrowings	118,228	19,318	118,228	19,318	118,228	19,318
Convertible bonds	62	10	62	10	62	10
2013 Guaranteed Bonds issued on November 21, 2013 ⁽¹⁾⁽²⁾	—	—	3,672	600	3,672	600
Bonds to be issued ⁽¹⁾⁽³⁾	—	—	—	—	3,672	600
Total	<u>118,290</u>	<u>19,328</u>	<u>121,962</u>	<u>19,928</u>	<u>125,634</u>	<u>20,528</u>
Capital and reserves attributable to owners of the Company						
Share capital	3,736	610	3,736	610	3,736	610
Reserves	87,446	14,289	87,446	14,289	87,446	14,289
Equity attributable to owners of the Company	91,182	14,899	91,182	14,899	91,182	14,899
Non-controlling interests	4,714	770	4,714	770	4,714	770
Total Equity	<u>95,896</u>	<u>15,669</u>	<u>95,896</u>	<u>15,669</u>	<u>95,896</u>	<u>15,669</u>
Total capitalization ⁽⁴⁾	<u><u>214,186</u></u>	<u><u>34,997</u></u>	<u><u>217,858</u></u>	<u><u>35,597</u></u>	<u><u>221,530</u></u>	<u><u>36,197</u></u>

Notes:

- (1) This amount has been translated into Renminbi for convenience purpose at a rate of US\$1.00 to CNY6.1200.
- (2) Refers to the aggregate principal amount of the 2013 Guaranteed Bonds before deducting the commissions and estimated offering expenses.
- (3) Refers to the aggregate principal amount of the Bonds before deducting the commissions and estimated offering expenses.
- (4) Total capitalization equals long-term interest-bearing borrowings and total equity.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalization and indebtedness of the Company since June 30, 2013.

Capitalization and indebtedness of Wanda HK

The following table sets forth Wanda HK's consolidated capitalization and indebtedness at June 30, 2013 on an actual basis and on an adjusted basis after giving effect to (i) the 2013 Guaranteed Bonds and (ii) the issuance of the Bonds. The following table should be read in conjunction with Wanda HK's consolidated financial statements and related notes included in this Offering Circular.

	At June 30, 2013					
	Actual		As adjusted for the 2013 Guaranteed Bonds		As adjusted for the issue of the Bonds	
	HK\$ in millions	US\$ in millions	HK\$ in millions	US\$ in millions	HK\$ in millions	US\$ in millions
Short-term interest-bearing borrowings						
Borrowings (amount due within one year)	752	97	752	97	752	97
Total	<u>752</u>	<u>97</u>	<u>752</u>	<u>97</u>	<u>752</u>	<u>97</u>
Long-term interest-bearing borrowings						
Convertible bonds	77	10	77	10	77	10
2013 Guaranteed Bonds issued on November 21, 2013 ⁽¹⁾⁽²⁾	—	—	4,653	600	4,653	600
Bonds to be issued ⁽¹⁾⁽³⁾	—	—	—	—	4,653	600
Total	<u>77</u>	<u>10</u>	<u>4,730</u>	<u>610</u>	<u>9,383</u>	<u>1,210</u>
Capital and reserves attributable to owners of Wanda HK						
Share capital	—	—	—	—	—	—
Reserves	(4)	(1)	(4)	(1)	(4)	(1)
Equity attributable to owners of Wanda HK	(4)	(1)	(4)	(1)	(4)	(1)
Non-controlling interests	1,821	235	1,821	235	1,821	235
Total Equity	<u>1,817</u>	<u>234</u>	<u>1,817</u>	<u>234</u>	<u>1,817</u>	<u>234</u>
Total capitalization ⁽⁴⁾	<u>1,894</u>	<u>244</u>	<u>6,547</u>	<u>844</u>	<u>11,200</u>	<u>1,444</u>

Notes:

- (1) This amount has been translated into HK\$ for convenience purpose at a rate of US\$1.00 to HK\$7.7551.
- (2) Refers to the aggregate principal amount of the 2013 Guaranteed Bonds before deducting the commissions and estimated offering expenses.
- (3) Refers to the aggregate principal amount of the Bonds before deducting the commissions and estimated offering expenses.
- (4) Total capitalization equals long-term interest-bearing borrowings and total equity.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalization and indebtedness of Wanda HK since June 30, 2013.

Use of proceeds

The Issuer estimates that the net proceeds from this Offering, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, will be approximately US\$589.5 million. The Issuer intends to use the net proceeds from the offering of the Bonds to enable the Subsidiary Guarantors and/or the Company to, directly or indirectly invest, through intercompany loans, capital injections or otherwise, in projects in the PRC and overseas and for general corporate purposes.

Management's discussion and analysis of financial condition and results of operations

You should read the following discussion in conjunction with our audited consolidated financial statements as of and for each of the years ended December 31, 2010, 2011 and 2012 and the unaudited interim consolidated financial statements as of and for the six months ended June 30, 2013 and the notes thereto, which are prepared in accordance with IFRSs and included elsewhere in this Offering Circular, and the section entitled "Risk factors."

This section includes forward-looking statements. All statements, other than statements of historical facts, included in this section that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. See "Forward-looking statements."

Overview

We are one of the largest owners and operators of large-scale commercial mixed-use complexes and hotels in the world in terms of aggregate GFA. We are also a leading property developer in China in terms of contracted sales of both commercial and residential properties, with a large portion contributed by contracted sales of commercial properties. In 2012, our contracted sales surpassed CNY100 billion, making us one of the few property developers in China with contracted sales over CNY100 billion. We operate under the "Wanda" brand and are focused on three major business segments: (i) property development and sales, (ii) leasing, operation and management of investment properties and (iii) hotel operations.

Our core product is the "Wanda Plaza," which is a large-scale mixed-use complex comprised of office buildings, SOHO, residential apartments, shopping centers and hotels. We have been committed to our development strategy, "Wanda Plaza Is the City Center (萬達廣場就是城市中心)," since it was introduced by our predecessor in 2000. We have successfully expanded into 89 first- and second-tier and high-growth potential cities, including 50 cities where our projects are in operation and 39 cities where we have projects under development or held for future development. We have established strong brand recognition across China. We aim to continue to expand our investment property and hotel portfolio steadily and solidify our position as the largest commercial property owner and operator with a national presence in China's key cities and strategic high growth regions. We will continue to focus on maintaining a high-quality investment portfolio, enhancing our capability of operating and managing investment properties and hotels and achieving a balanced earning profile with recurring income streams.

As at June 30, 2013, we held a completed investment property and hotel portfolio with an aggregate GFA of 13.6 million sq.m., including an investment property portfolio comprised of 71 Wanda Plazas commercial properties across 48 cities with an aggregate GFA of 11.9 million sq.m., and a hotel portfolio with an aggregate GFA of 1.7 million sq.m., consisting of 39 hotels, with a total of 11,891 hotel rooms across 33 cities.

In addition, as at June 30, 2013, we had 90 projects with a total GFA of 64.3 million sq.m. under development or held for future development, which comprised approximately (a) an aggregate GFA of 50.2 million sq.m. in our property development and sales segment; (b) an aggregate GFA of approximately 11.0 million sq.m. in our leasing, operation and management of investment properties segment; (c) an aggregate GFA of approximately 2.7 million sq.m. in our hotel operations segment; and (d) an aggregate GFA of approximately 0.4 million sq.m. for ancillary facilities.

Please see "Business — Recent Development" for information on our contracted sales, investment properties and hotels as at and for the year ended December 31, 2013.

Key factors affecting our results of operations

Our business, financial condition and results of operations are affected by a number of factors, many of which are beyond of our control. See “*Risk factors.*” Such factors include the following:

Factors affecting our business

Economic growth, speed of urbanization and demand for properties in the PRC

Our results of operations and financial conditions are significantly affected by China’s economic conditions and the economic measures taken by the PRC government. China has experienced rapid economic growth over the past three decades largely as a result of the PRC government’s extensive economic reforms, which have focused on transforming China’s centrally planned economy into a more market-based economy. Economic growth, urbanization and higher standards of living in the PRC are the main drivers behind the increasing market demand for properties. The property industry is regarded by the PRC Government as one of the most important industries, and the property industry is significantly dependent on overall economic growth and the resultant commercial and consumer demand for real estate properties. We believe that the overall economic growth and the rate of urbanization in China are especially important to the continued growth of our commercial, residential and investment property business. The rate of urbanization and the overall economic growth in China will continue to be affected by a number of macroeconomic factors, including changes in the global economy and world markets as well as the macroeconomic, fiscal and monetary policies of the PRC government.

Regulatory measures focusing on the real estate industry in the PRC

PRC Government policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC Government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among others, terms of land grant contracts, licensing and zoning, pre-sales of properties, bank financing and taxation. In recent years, the PRC Government has instituted a variety of measures designed to stabilize and dampen any potential over-heating of the real estate market. These policies have led, and may continue to lead, to changes in market conditions, including changes in price stability, costs of ownership, costs of development and the balance of supply and demand in respect of commercial and residential properties.

We are also susceptible to any regulations or measures adopted by the PBOC that may restrict bank lending to enterprises, particularly to real estate developers. Moreover, a portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our turnover from sales. See “*PRC Regulations*” for a description of these policies. We believe that PRC regulatory measures in the real estate industry will continue to impact the results of operations of our commercial and residential property business.

In addition, shopping centers and hotels in the PRC are required to obtain a series of special industry licenses issued by the local public security bureau and to comply with license requirements and laws and regulations with respect to construction permits, fire prevention, public area hygiene, food hygiene, public safety and environmental protection. Any changes to existing laws and regulations in the future may result in higher cost of compliance.

Ability to acquire suitable land for future development and maintain reasonable construction costs

Our land and construction costs represent the most significant portion of our cost of sales. Accordingly, our success and continuing growth of our property business will depend largely on our ability to acquire quality land at prices that can generate reasonable returns and maintain reasonable construction costs. As the PRC economy continues to grow rapidly and demand for commercial and residential properties remains strong, we expect that competition among property developers for land reserves will continue to intensify. In addition, public tender, auction and listing-for-sale practices in respect of the grant of state-owned land use rights are also likely to increase competition for development of land and land acquisition costs. The increasing competition with respect to land acquisition in the property industry can adversely affect our ability to acquire quality land at reasonable prices.

In addition, our results of operations are affected by the price of construction materials, including steel and cement. Price volatility associated with construction materials will (i) increase the cost of our construction materials, or (ii) in case where the construction materials are included in the fees payable to our construction contractors, cause construction contractors to change their fee quote for new projects, thus increasing our cost of sales and overall project costs. If we cannot sell our properties at a price sufficient to cover all the increased costs, we will not be able to achieve our target profit margin and our profitability will be adversely affected.

Access to capital and cost of financing

Bank and other borrowings are important sources of funding for our commercial and residential property developments. Our access to capital and cost of financing will be affected by the prevailing interest rates on bank loans, which is linked to the PBOC benchmark lending rates, the restrictions imposed by the PRC government on bank lending for property development, and the general conditions of the domestic and global capital markets. During the period of 2010, 2011, and 2012, and for the six months ended June 30, 2013, we also financed some of our property projects with trust financings. Compared with bank loans, trust financings offer greater flexibility in terms of availability, but financing costs under these trust financing arrangements are generally higher than those under bank loans. If we cannot enter into such kind of trust financing arrangements on favorable terms or even at all in the future, our financial results of operations and financial condition may be adversely affected.

As at December 31, 2010, 2011, 2012 and June 30, 2013, our outstanding current and non-current loans and borrowings from financial institutions amounted to CNY60,639 million, CNY69,747 million, CNY93,228 million and CNY136,172 million, respectively. In addition, as of June 30, 2013, there were outstanding convertible bonds, which were issued by the Hong Kong Listco, with present value of CNY 62 million in our unaudited consolidated statements of financial position. Our interest cost on interest-bearing bank borrowings amounted to CNY3,596 million, CNY5,195 million, CNY6,709 million and CNY4,654 million for the years ended 2010, 2011, 2012 and for the six months ended June 30, 2013, respectively. In addition, an increase in the demand for loans may increase interest rates, resulting in additional interest costs for us, especially in newly raised loans.

Changes in product mix and geographical focus

As our revenues are primarily derived from three segments, property development, property leasing and hotel operations, our results of operations and cash flows may vary significantly from period to period depending on the type and volume of our completed properties that we sell or lease during the relevant period. Our results of operations and cash flows may also vary depending on the locations of our completed properties, as properties in different locations may have different price levels and profit margins. The recurring income and selling prices we receive from, and the occupancy levels and sales rates of, our property developments depend on local market prices which, in turn, depend on local supply and demand conditions.

Competition

The property industry is highly competitive. We compete primarily with other property developers, other shopping centers and other hotel operators in each of our main business segments. Some of our competitors may have more financial and other resources than us and may be more sophisticated than us in terms of engineering, technical, marketing and management skills. In addition, we expect that more commercial and residential property operators and developers will continue to expand their operations in the PRC, more commercial and residential property projects will be developed and released to the market, and more hotels will be open and operating in the future. Any of the above may impose pressure on the results of our operations.

Ability to retain qualified employees and staff costs

The largest component of our administrative expenses is salaries. Except for certain executives whom we hire at the headquarters level and assign to relevant projects or hotels, we normally recruit local people for our operations. The competition in the PRC for qualified and experienced personnel in management and operations of commercial and residential properties and hotels is intense. Our business depends on our ability to retain management members and employees with suitable skills and relevant experiences. In addition, the PRC has experienced changes in its labor policies. Compliance with any new labor regulations may increase our operating expenses as we may incur additional administrative and staff costs.

Project development schedules

The development of property projects requires significant time and it may take several months or years before the commencement of pre-sale or even longer to complete and deliver. No revenue is recognized until it has been sold, completed and delivered to our customers. Due to the fluctuations of market demand, the revenue we recognize in a particular period may also depend on market conditions at the expected completion and delivery time of a particular property project. Moreover, delays in construction, regulatory approval and other process can have an adverse effect on the timetable of our projects and our results of operations.

Pre-sales

Pre-sales constitute an important source of our operating cash inflows during our commercial and residential property project development process. PRC law allows us to pre-sell our properties before completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the pre-sold project. Although the pre-sales of properties generate positive cash flows for us in the period that they are made, no revenue is recognized in respect of such properties until the relevant properties are ready for delivery to the purchaser. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including the development schedule of each of our projects, restrictions on pre-sales imposed by the PRC government, market demand for our properties subject to pre-sales, and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our commercial and residential properties will increase our reliance on external financing, which may increase our costs and impact our ability to finance our continuing property developments.

LAT

Our property developments are subject to LAT in respect of the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in commercial and residential property development in the PRC and is levied on properties for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value. According to the relevant LAT laws and regulations in China, provisions for LAT are made upon recognition of revenue. For the years ended 2010, 2011, 2012 and for the six months ended June 30, 2013, we made LAT provisions of CNY2,565 million, CNY4,057 million, CNY5,889 million and CNY1,956 million, respectively. We made LAT provisions based on our management's estimate. However, the implementation and settlement of the LAT is dependent on the practice of local tax authorities. We cannot assure that the relevant tax authorities will agree to the basis on which we have calculated our LAT liabilities for provision purposes or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Our financial condition may be materially adversely impacted if our LAT liabilities as calculated by the relevant tax authorities are different from our provisions.

Additional factors affecting our investment property business

Demand for commercial properties and retail space and cyclical nature of the consumer spending and retail industry

Demand for our commercial properties and retail space, whether for purchase or for leasing, generally depends upon economic conditions in the cities and regional markets where we operate. Demand for commercial properties and retail space in the cities and regions where we operate could be affected by, among others, the national and regional economies, tourism activities and the balance between supply and demand for retail space in the cities or regions where we operate in the PRC.

Operations of our investment properties, especially of our shopping centers, also depend on the performance of our tenants. The retail industry is subject to changing trends in consumer preferences. The success of tenants in our investment properties, especially shopping centers, is largely contingent on their ability to anticipate these trends and to cater to the tastes of their customers.

Occupancy rates and rental rates of our investment properties

Occupancy rates and rental rates of investment properties will directly impact our overall business performance, results of operation and the fair value of the investment properties. Occupancy rates and rental rates for commercial properties in our Wanda Plazas are determined by factors including, but not limited to, the supply of comparable premises, overall demand in the market, performance of tenants, changes in market rents, general macroeconomic conditions (including inflation rates), inability to renew leases or re-let space as existing leases expire, a concentration of renewal of leases or rent adjustments, increased operating costs and the costs to renovate, repair and re-let space periodically and to maintain common areas.

Fair value adjustments of investment properties

Our investment properties include portions of our commercial properties held for long-term investment. In accordance with IAS 40 for investment properties issued by the International Accounting Standards Board, investment properties may be recognized by using either the fair value model or the cost model. We have chosen to recognize our investment properties at fair value, unless the fair value of these investment properties cannot be reliably determined at the end of reporting period. We believe that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties. An investment property is measured initially at its cost, including related transaction costs. After initial recognition, it is carried at fair value, with changes in fair value recognized in the consolidated statements of comprehensive income. Upward revaluation adjustments reflect unrealized capital gains on our investment properties in the relevant period and do not generate any cash inflow for our operations.

Additional factors affecting our hotel business

Leisure, business and MICE travel which is affected by the overall economic conditions in the PRC and the global market

The occupancy rate, average room rate, revenue per available room and revenue of our hotels have been directly affected by the levels of leisure, business and MICE travel, which have, in turn, been driven by the development of the leisure industry and business activities, conferences and events in the areas where we operate. The growing economy in the PRC and the global market may potentially lead to higher levels of disposable income and higher corporate profits which will in turn encourage consumer spending and business travel. We anticipate our results of operations will continue to depend to a substantial degree on demand from leisure, business and MICE travelers.

Seasonality, special events, natural disaster and epidemics

Our hotel operations are subject to fluctuations in revenues due to seasonality in different cities and regions. We believe seasonality will continue to affect our results of hotel business in consideration on Chinese people's cultural and living habits. Furthermore, certain special events, such as the previous 2008 Beijing Summer Olympic Games, 2010 Shanghai Expo and the 13th National Games in Liaoning Province in 2013, may increase the demand for our hotels as such special events may attract travelers into and within the region where we operate our hotels.

The tourism industry is particularly vulnerable to natural disasters and epidemics. For example, certain areas of China experienced epidemics, such as severe acute respiratory syndrome, avian influenza and A/H1N1 influenza, which adversely affected us in the form of a decrease in occupancy rates and average room rate. Similar epidemic events in the future may cause a decline in our corporate, convention and leisure guests, which may have a material adverse impact on our business, financial condition.

Pricing

We set the room rate for the hotels that we operate at prices consistent with each hotel's particular market. While our goal is to maintain our competitiveness in the market we operate, we also try to avoid competing with other up-scale and above hotels on price alone and instead focus more on creating value perception through our brands and our international hotel management companies' brands as well as use of promotional packages. We review the rate structure of our hotels on a regular basis.

We offer different prices and packages to accommodate the demand of various types of customers, including individuals, corporate clients and group customers. We determine the prices and packages based on factors, such as size of the group, planned length of stay, current demand, room type, lengths of stay and guest mix.

Fixed-cost and capital intensive nature of our business

Many of the costs associated with managing and operating hotels are relatively fixed. These costs include personnel costs, insurance and utilities. In addition, hotel properties have an ongoing need for refurbishment and other capital improvements to remain competitive, including the replacement, from time to time, of furniture, fixtures and equipment. We need to continue to pay salaries, make regular repairs, perform maintenance and refurbishments and invest in other capital improvements throughout the year to maintain the popularity of our hotels. These costs do not vary as significantly as changes in occupancy rates and revenues. If we are unable to reduce these costs when demand for our hotel rooms decreases, the resulting decline in our revenues can have a material adverse effect on our net cash flows, margins and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth. The effectiveness of any cost-cutting efforts is limited by the fixed-cost nature of our business. As a result, we may not be able to offset revenue reductions through further cost cutting. Our efforts to reduce costs, or to defer or cancel capital improvements, could adversely affect the economic value of our properties and brands. In addition, if we do not make needed refurbishments and improvements, we could lose our market share to competitors and our occupancy rates and our average room rate may decline.

Terrorist attacks and other significant events

Our occupancy rate and revenue of hotel business may be affected by terrorist attacks and social or political unrests. Although we have not experienced any major setback in hotel operations because of terrorist attacks or political or social unrests, any such situation in the future in the cities or regions where our hotels are located may suspend our operations and adversely impact our revenue from hotel business.

Critical accounting policies

Critical accounting policies are those accounting policies that reflect significant judgments and uncertainties and that could potentially yield materially different results under different assumptions and conditions. The critical accounting policies adopted and estimates made in preparation of our financial statements include the following:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from properties developed for sales in the ordinary business is recognized upon delivery of properties to the purchasers pursuant to the sales agreements.

Rental income from properties under operating leases is recognized in the profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognized on straight-line basis over the lease term.

Revenue from hotel operation is recognized when the relevant services are provided.

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

Property, plant and equipment

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

Useful lives of property, plant and equipment

Our management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Our management will increase the depreciation charges where useful lives are less than previously estimated lives. Our management will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

Impairment of property, plant and equipment

We test annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect our financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost and net realizable value are determined as follows:

- Property under development for sale.

The cost of properties under development for sales 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 capitalized. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed property for sale.

In the case of completed properties developed by us, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Investment properties

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

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

Property under construction or development for future use as investment properties is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or development is completed, in which time any difference between fair value and the carrying amount will be recognized in profit or loss in the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognized assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is settled or realized that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 "Investment Property." Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Company or its relevant subsidiary is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognized in profit or loss except when they relate to items recognized in other comprehensive income in which case the taxes are also recognized in other comprehensive income.

Our management estimates the provision for income tax based on our operations and relevant tax rules and interpretation issued by the tax bureau in respective tax jurisdictions. In cases where the tax filings and actual taxable profits are agreed by the tax authorities is less or more than expected, an over-provision or under-provision for income tax would be recognized in profit or loss for the period in which such income tax filings are finalized.

Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, our investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. Therefore, in measuring our deferred taxation on investment properties, the directors

have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As at December 31, 2010, 2011, 2012 and for the six months ended June 30, 2013, we have recognized deferred tax liabilities on revaluation of investment properties amounting to CNY7,777 million, CNY11,649 million, CNY17,886 million and CNY19,515 million.

Impairment of account and other receivables

Recoverability of the account and other receivables are reviewed by our management based on the receivables' aging characteristics, our management's evaluation of the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realization of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Land appreciation tax

We are subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC. However, we have not finalized the land appreciation tax calculation with the local tax authorities for certain property development projects. Accordingly, significant judgment is required in determining the amount of the land appreciation tax and its related income tax provisions.

We recognized the land appreciation tax based on our management's best estimation. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalized with local tax authorities.

Certain Income Statement Items

The table below sets forth, for the periods indicated, certain revenue and expense items for our consolidated operations:

	For the year ended December 31,			For the six months ended June 30,		
	2010	2011	2012	2012	2013	2013
	CNY	CNY	CNY	(unaudited) CNY	(unaudited) CNY	(unaudited) US\$
	(in millions)					
Turnover.....	39,613	54,041	62,877	19,733	33,817	5,526
Cost of sales	(20,898)	(28,995)	(31,666)	(9,333)	(19,059)	(3,114)
Gross profit	18,715	25,046	31,211	10,400	14,758	2,412
Other income, gains and losses.....	1,202	1,834	2,174	710	1,396	228
Selling and distribution expenses...	(1,674)	(2,829)	(2,997)	(1,132)	(1,621)	(265)
Administrative expenses	(2,713)	(4,143)	(5,141)	(2,171)	(2,699)	(441)
Finance costs.....	(1,680)	(2,972)	(3,861)	(1,657)	(2,780)	(454)
Change in fair value of investment properties.....	12,424	16,428	23,824	4,923	4,897	800
Share of profit/(loss) of an associate	—	—	151	—	(139)	(23)
Profit before income tax expense	26,274	33,364	45,361	11,073	13,812	2,257
Income tax expense	(9,023)	(10,971)	(16,055)	(5,048)	(5,350)	(874)
Profit for the year/period	17,251	22,393	29,306	6,025	8,462	1,383
Other comprehensive income	35	—	—	—	(8)	(1)
Total comprehensive income	17,286	22,393	29,306	6,025	8,454	1,382
Attributable to:						
Owners of the Company	17,296	22,414	28,752	5,782	8,426	1,377
Non-controlling interests	(10)	(21)	554	243	28	5
	17,286	22,393	29,306	6,025	8,454	1,382

Turnover

We derive our revenue primarily from the sales of completed properties held for sale, rental income from leasing of properties and property management service income, revenue from hotel operations and revenue from others. Our turnover for the periods indicated for each of our business segments are as follows:

	For the year ended December 31,						For the six months ended June 30,			
	2010		2011		2012		2012		2013	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)	
	CNY (in millions)	%	CNY (in millions)	%	CNY (in millions)	%	CNY (in millions)	%	CNY (in millions)	%
Revenue from sales of properties	36,693	92.6%	48,306	89.4%	53,778	85.5%	15,791	80.0%	28,165	83.3%
Rental income from leasing of properties and property management service income	2,153	5.4%	4,001	7.4%	6,214	9.9%	2,716	13.8%	4,056	12.0%
Revenue from hotel operations	675	1.7%	1,539	2.8%	2,739	4.4%	1,184	6.0%	1,521	4.5%
Revenue from others	92	0.3%	195	0.4%	146	0.2%	42	0.2%	75	0.2%
	<u>39,613</u>	<u>100.0%</u>	<u>54,041</u>	<u>100.0%</u>	<u>62,877</u>	<u>100.0%</u>	<u>19,733</u>	<u>100.0%</u>	<u>33,817</u>	<u>100.0%</u>

Sale of properties

We derive a substantial portion of our turnover from sales of properties we develop. Our revenue from sales of properties is recognized upon delivery of properties to the purchaser pursuant to the sale agreements. As such, our results of operations are dependent upon on the amount of total salable GFA, the location and type of properties we completed and delivered during such period, market conditions and the contracted sales price of our properties.

The following table sets forth a breakdown of our revenue recognized from sales of properties, recognized GFA and recognized ASP for each type of property during the periods indicated:

	Residential			Commercial ⁽¹⁾			Total		
	Revenue (CNY million)	GFA (sq.m.)	ASP (CNY/ sq.m.)	Revenue (CNY million)	GFA (sq.m.)	ASP (CNY/ sq.m.)	Revenue (CNY million)	GFA (sq.m.)	ASP (CNY/ sq.m.)
For the year ended December 31,									
2010	16,917	1,982,981	8,531	19,776	1,185,272	16,684	36,693	3,168,253	11,581
2011	17,988	2,047,125	8,787	30,318	2,371,208	12,786	48,306	4,418,333	10,933
2012	13,856	1,336,318	10,369	39,922	2,465,923	16,189	53,778	3,802,241	14,144
For the six months ended June 30,									
2012	1,587	143,135	11,090	14,204	879,989	16,141	15,791	1,023,124	15,434
2013	12,921	1,172,999	11,015	15,244	801,523	19,019	28,165	1,974,522	14,264

Note:

(1) Commercial properties in the table above mostly include retail space, office space and SOHO

Rental income from leasing of properties and property management service income

Our revenue of rental income from leasing of properties and property management service income mainly represents recurring income from the leasing of commercial properties and income generated from our property management services. For the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, our revenue from rental income from leasing of properties and property management service income amounted to CNY2,153 million, CNY4,001 million, CNY6,214 million and CNY4,056 million, respectively.

Revenue from hotel operations

Our revenue from hotel operations represents income from our hotels and such revenue is recognized when relevant services are provided. For the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, our revenue from hotel operations amounted to CNY675 million, CNY1,539 million, CNY2,739 million and CNY1,521 million, respectively.

Our revenue from hotel operations mainly consists of room revenue, F&B revenue and other ancillary revenue:

- Room revenue mainly represents revenues derived from room charge;
- F&B revenue represents sales in restaurants and bars, sales to MICE clients and revenue from room services; and
- Other ancillary revenue represents revenue derived from business centers, charge for usage of telephone, internet, dry cleaning and laundry services and other ancillary customer services, such as foreign exchange services and recreational services.

Revenue from others

Our revenue from others mainly includes income generated from miscellaneous services relating to our projects and others.

Cost of sales

Cost of sales principally comprises costs incurred in relation to our property development activities, including land acquisition costs, construction costs, capitalized borrowing costs and business taxes. Cost of sales also includes other business costs incurred in relation to our hotel operations, property rental, property management as well as business taxes. For the years ended 2010, 2011, 2012 and for the six months ended June 30, 2013, our cost of sales was CNY20,898 million, CNY28,995 million, CNY31,666 million and CNY19,059 million, respectively, representing approximately 52.8%, 53.7%, 50.4% and 56.4% of our turnover for the respective year/period.

The following table sets forth information in relation to our cost of sales by each of our business segment for the years/period indicated.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	CNY in millions	%	CNY in millions	%	CNY in millions	%	CNY in millions	%	CNY in millions	%
Costs of sales of properties	19,593	93.8	26,397	91.0	27,747	87.6	7,654	82.0	16,842	88.4
Costs of leasing properties and property management service	859	4.1	1,375	4.8	1,965	6.2	871	9.3	1,179	6.2
Costs of hotel operations	423	2.0	1,076	3.7	1,849	5.9	791	8.5	974	5.1
Costs of others	23	0.1	147	0.5	105	0.3	17	0.2	64	0.3
Total	<u>20,898</u>	<u>100.0</u>	<u>28,995</u>	<u>100.0</u>	<u>31,666</u>	<u>100.0</u>	<u>9,333</u>	<u>100.0</u>	<u>19,059</u>	<u>100.0</u>

Cost of sales of properties

Cost of sales of properties mainly includes land acquisition costs, construction costs, capitalized borrowing costs and other costs. We recognize the cost of sales of properties for a given period to the extent that revenue from such properties has been recognized in such period.

— Land acquisition costs

Land acquisition costs represent costs relating to acquisition of the rights to occupy, use and develop land, and primarily include land premium incurred in connection with land grants from the PRC government. Our land acquisition costs are affected by a number of factors, such as our method of acquisition, the location of the underlying property, market conditions, the project's plot ratios, the designated use of the underlying property and changes in PRC policies and regulations.

— Construction costs

Construction costs represent costs for the design and construction of a project, primarily consisting of costs of construction materials and payments to our contractors, including those responsible for civil engineering,

construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs are affected by a number of factors, such as changes in the price of construction materials, the location and type of properties under construction and investments in ancillary facilities.

— *Capitalized borrowing costs*

We capitalize a portion of our cost of bank and other borrowings (including interest expense) to the extent that such cost is directly attributable to the construction of a particular property project. Fluctuations in the amount and timing of capitalization from period to period may also affect our finance costs.

— *Other costs*

Other costs mainly include business tax which are payable by us in connection with our property development activities.

Costs of leasing properties and property management service

Our costs of leasing properties and property management service primarily consist of utilities, property maintenance expenses, staff costs and other property operating expenses.

Costs of hotel operations

Our costs of hotel operations primarily consist of staff costs for hotel operations, depreciation and amortization, costs for consumables used, raw materials for F&B services, utilities, cost for cleaning and laundry and others.

Costs of others

Our costs of others primarily consist of direct costs in relation to other business.

Other income, gains and losses

Other income mainly comprises interest income, grants from the PRC Government and sundry income. Other gains and losses mainly consist of gains and losses on disposal of property, plant and equipment, gains and losses on disposal of investment properties and increase in fair value of transfer of inventories to investment properties.

Selling and distribution expenses

Our selling and distribution expenses primarily consist of advertising and promotional expenses, salary of sales staff, depreciation and amortization and other costs related to our selling and marketing activities. For the years ended December 31, 2010, 2011, 2012 and for the six months ended June 30, 2013, our selling and distribution expenses were CNY1,674 million, CNY2,829 million, CNY2,997 million and CNY1,621 million, respectively, representing approximately 4.2%, 5.2%, 4.8% and 4.8% of our turnover for the respective year/period.

The following table sets forth our selling and distribution expenses for the years/period indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	(unaudited)
	CNY in millions				
Selling and distribution expenses					
Advertising and promotional expenses	1,177	1,743	1,733	615	1,009
Salary of sales staff	229	375	464	206	287
Depreciation and amortization	115	294	375	119	178
Others ⁽¹⁾	153	417	425	192	147
Total	<u>1,674</u>	<u>2,829</u>	<u>2,997</u>	<u>1,132</u>	<u>1,621</u>
Percentage of total turnover (%)	<u>4.2%</u>	<u>5.2%</u>	<u>4.8%</u>	<u>5.7%</u>	<u>4.8%</u>

Note:

(1) Others include transportation expenses, sales related office expenses, rental expenses in relation to our sales offices, traveling expenses, entertainment expenses, insurance expenses, vehicle costs, transaction fees, costs of sales centers and sales management expenses.

Administrative expenses

Our administrative expenses primarily consist of staff costs (other than selling and marketing and certain design and construction management personnel), other tax expenses (including property tax, stamp duty, education surcharge and city construction tax), office administrative costs, depreciation and amortization, professional fees and other costs related to our administrative activities. For the years ended December 31, 2010, 2011, 2012 and for the six months ended June 30, 2013, our administrative expenses were CNY2,713 million, CNY4,143 million, CNY5,141 million and CNY2,699 million, respectively, representing approximately 6.8%, 7.7%, 8.2% and 8.0% of our turnover for the respective year/period.

The following table sets forth our administrative expenses for the years/period indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	(unaudited)
	CNY in millions				
Administrative expenses					
Staff costs	1,073	1,638	1,873	698	951
Other tax expenses ⁽¹⁾	509	806	1,188	471	724
Office administrative costs	288	584	790	390	401
Depreciation and amortization	145	224	309	149	156
Professional fees	93	39	93	47	135
Others ⁽²⁾	605	852	888	416	332
Total	<u>2,713</u>	<u>4,143</u>	<u>5,141</u>	<u>2,171</u>	<u>2,699</u>
Percentage of total turnover (%)	<u>6.8%</u>	<u>7.7%</u>	<u>8.2%</u>	<u>11.0%</u>	<u>8.0%</u>

Notes:

- (1) Other tax expenses under the administrative expenses include property tax, stamp duty, education surcharge and city construction tax.
- (2) Others include transportation expenses, rental expenses, fees paid to third party hotel management companies, traveling expenses, entertainment expenses, insurance fees, vehicle costs and certain miscellaneous expenses.

Finance costs

Finance costs principally comprise interest costs net of capitalized interest expenses. Because the construction period for a project or project phase does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project or project phase can be capitalized. As a result, the amount of our finance costs varies depending on our total borrowing costs and the level of interest costs that are capitalized within the reporting period.

Change in fair value of investment properties

Investment properties are interests in land and buildings held to earn recurring income. Investment properties are stated at their fair value on each financial position date. In accordance with IFRS, we engage a qualified independent property appraiser to conduct market valuations of our properties held as investment properties at the end of each reporting period. Increases or decreases in the fair market value of our investment properties are reflected as an income or expense item, as the case may be, in the consolidated statements of comprehensive income. The fair value of each of our investment properties is likely to fluctuate from time to time and the fair value of our investment properties may decrease in the future. Any such decrease in the fair value of our investment properties would reduce our profits.

Share of profit/(loss) of an associate

Share of profit/(loss) of an associate principally represents our share of net profit/(loss) of Changbaishan International Tourist Resort Development Company Limited (長白山國際旅遊度假區開發有限公司), in which we held a 45% equity interest during the period from December 2012 to June 2013. In June 2013, we increased our equity interest in Changbaishan International Tourist Resort Development Company Limited to 68.7% and, as a result, Changbaishan International Tourist Resort Development Company Limited (長白山國際旅遊度假區開發有限公司) ceased to be an associate and became a subsidiary of ours.

Profit before income tax expense

Profit before income tax expense consists of gross profit, net of finance costs, selling and distribution expenses as well as administrative expenses, and includes other income, gains and losses, change in fair value of investment properties and share of profit/(loss) of an associate.

Income tax expense

Income tax expense principally comprises tax assessed on PRC EIT and LAT. PRC EIT has been assessed on substantially all of our PRC Subsidiaries at a 25% statutory tax rate. The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the corresponding amounts used for tax purpose.

PRC EIT

Our PRC subsidiaries are mainly subject to a EIT at the rate of 25%, except for one of our PRC subsidiaries which was previously approved to enjoy the preferential EIT rate of 15% from January 1, 2007 to date, pursuant to the relevant tax regulations in the province of such subsidiary. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our effective corporate income tax rate, representing the sum of our tax charges, excluding the effect of LAT, divided by our profit before tax, was 24.6%, 20.7%, 22.4% and 24.6%, respectively.

LAT

Under PRC laws and regulations, our property developments are subject to LAT in respect of the appreciated value of the related land. LAT applies to both domestic and foreign investors in real estate development in the PRC and is levied on properties for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value. Certain exemptions are available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant tax laws). Whether a property qualifies for the ordinary residential property exemption is determined by the local government. On December 28, 2006, the SAT issued the Notice 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》), which took effect on February 1, 2007. Such notice provides further clarifications to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations. On May 12, 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration (《土地增值稅清算管理規程》), effective on June 1, 2009, which further clarifies the specific conditions and procedures for the settlement of LAT. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set out in the relevant PRC tax laws and regulations. As required by the local tax authorities in the PRC, we prepay 1.0% to 5.0% of the pre-sale proceeds each year and, after the sales of our property projects meet certain criteria, settle the final LAT payable in respect of our property projects. According to the relevant LAT laws and regulations in China, provisions for LAT are made upon recognition of revenue. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we made LAT provisions of CNY2,565 million, CNY4,057 million, CNY5,889 million and CNY1,956 million, respectively.

Review of Historical Operating Results

Six months ended June 30, 2013 and 2012

Turnover. Our turnover increased 71.4% to CNY33,817 million for the six months ended June 30, 2013 from CNY19,733 million for the six months ended June 30, 2012. The increase in turnover was primarily due to an increase in revenue generated from sales of properties.

- **Sales of properties.** Our revenue from sales of properties was CNY28,165 million for the six months ended June 30, 2013, an increase of CNY12,374 million or 78.4%, from CNY15,791 million of revenue from sales of properties for the six months ended June 30, 2012. The increase in revenue from sales of properties was primarily attributable to the increase in our total GFA delivered. Our total GFA delivered increased significantly by 93.0% from 1,023,124 sq.m. in the six months ended June 30, 2012 to 1,974,522 sq.m. in the six months ended June 30, 2013. The increase in sales of properties was partially offset by the decrease in our recognized ASP. The recognized ASP of our properties

delivered decreased by 7.6% from CNY 15,434 per sq.m. in the six months ended June 30, 2012 to CNY14,264 per sq.m. in the six months ended June 30, 2013. Such decrease in our recognized ASP was mainly due to the increase in the portion of our residential properties delivered in the six months ended June 30, 2013 compared to the corresponding period in 2012 and residential properties generally had lower recognized ASP compared to commercial properties.

- *Rental income from leasing of properties and property management service income.* Our revenue from rental income from leasing of properties and property management service income was CNY4,056 million for the six months ended June 30, 2013, an increase of CNY1,340 million or 49.3%, from CNY2,716 million of revenue from rental income from leasing of properties and property management service income for the six months ended June 30, 2012. The increase in revenue from rental income and management service income of investment properties was primarily attributable to an increase in leasable GFA as new Wanda Plazas were completed and commenced operation during the period, which also led to an increase in our management service income as additional new property projects were completed by us and included in our property management portfolio, and an increase in rents we charged to our tenants.
- *Hotel operations.* Our revenue from hotel operations was CNY1,521 million for the six months ended June 30, 2013, an increase of CNY337 million or 28.5%, from CNY1,184 million of revenue from hotel operations for the six months ended June 30, 2012. The increase in revenue from hotel operations was primarily attributable to the income we generated from the operations of our new hotels which commenced operation during the period.
- *Others.* Our revenue from others was CNY75 million for the six months ended June 30, 2013, an increase of CNY33 million or 78.6%, from CNY42 million of revenue from others for the six months ended June 30, 2012.

Cost of sales. Our cost of sales increased 104.2% to CNY19,059 million for the six months ended June 30, 2013 from CNY9,333 million for the six months ended June 30, 2012. This increase is mainly due to the increase in our costs of sales of properties from CNY7,654 million in the six months ended June 30, 2012 to CNY16,842 million in the six months ended June 30, 2013, which was primarily attributable to the increase in total GFA delivered during the period.

Gross Profit. As a result of the foregoing, our gross profit increased 41.9% to CNY14,758 million for the six months ended June 30, 2013 from CNY10,400 million for the six months ended June 30, 2012. Our gross margin decreased to 43.6% for the six months ended June 30, 2013 compared to 52.7% for the six months ended June 30, 2012. The decline in gross margin in the six months ended June 30, 2013 as compared to the same period in 2012 was mainly due to the change in our product mix. Among the properties we completed and delivered, the percentage of our residential properties delivered increased from 14.0% in the six months ended June 30, 2012 to 59.4% in the six months ended June 30, 2013, which was the main reason causing the decrease in our gross profit margins as residential properties generally had lower gross profit margin compared to commercial properties.

Other income, gains and losses. Our other income, gains and losses had a significant increase of 96.6% to CNY1,396 million for the six months ended June 30, 2013 from CNY710 million for the six months ended June 30, 2012. The increase was primarily due to an increase in government grants in relation to local governments' policies to encourage development and establishment of enterprises in certain industry.

Selling and distribution expenses. Our selling and distribution expenses increased 43.2% to CNY1,621 million for the six months ended June 30, 2013 from CNY1,132 million for the six months ended June 30, 2012. The increment was primarily attributable to an increase in the advertising and promotional expenses from CNY615 million in the six months ended June 30, 2012 to CNY1,009 million in the six months ended June 30, 2013, reflecting an increase in the number of property projects we launched in the six months ended June 30, 2013 compared to the same period in 2012.

Administrative expenses. Our administrative expenses increased 24.3% to CNY2,699 million for the six months ended June 30, 2013 from CNY2,171 million for the six months ended June 30, 2012. The increase in our administrative expenses was mainly attributable to the increase in staff salary and other tax expenses as we continued to expand our operation.

Finance costs. Our finance costs increased 67.8% to CNY2,780 million for the six months ended June 30, 2013 from CNY1,657 million for the six months ended June 30, 2012. The increase in our finance costs was

mainly due to an increase in interests on bank loans and other borrowings, resulting from the increase in average balance on bank loans and other borrowings outstanding during the period, partially offset by increase in interest expenses capitalized from CNY1,342 million in the six months ended June 30, 2012 to CNY1,874 million in the six months ended June 30, 2013.

Change in fair value of investment properties. Our change in fair value of investment properties decreased 1.0% to CNY4,897 million for the six months ended June 30, 2013 from CNY4,923 million for the six months ended June 30, 2012.

Share of profit/loss of an associate. Our share of loss of an associate increased to CNY139 million for the six months ended June 30, 2013 from CNY nil for the six months ended June 30, 2012. The increase in loss was incurred in connection with our acquisition of our associate, Changbaishan International Tourist Resort Development Company Limited (長白山國際旅遊度假區開發有限公司) in December 2012 and such loss referred to our share of net loss of such associate in the six months ended June 30, 2013.

Income tax expense. Our income tax expense increased 6.0% to CNY5,350 million for the six months ended June 30, 2013 from CNY5,048 million for the six months ended June 30, 2012, primarily as a result of an increase in EIT of CNY423 million from CNY1,520 million for the six months ended June 30, 2012 to CNY 1,943 million for the six months ended June 30, 2013 and an increase of deferred tax from CNY771 million for the six months ended June 30, 2012 to CNY1,451 million for the six months ended June 30, 2013, which was partially offset by the decrease in LAT. The effective tax rates, representing the sum of our tax charges, excluding the effect of LAT, divided by our profit before tax, for the six months ended June 30, 2012 and 2013 were 20.7% and 24.6%, respectively.

Profit for the period. As a result of the foregoing, our profit for the period increased 40.4% to CNY8,462 million for the six months ended June 30, 2013 from CNY6,025 million for the six months ended June 30, 2012.

Years ended December 31, 2012 and 2011

Turnover. Our turnover increased 16.4% to CNY62,877 million in 2012 from CNY54,041 million in 2011. The increase was primarily due to an increase in revenue generated from sales of properties.

- **Sales of properties.** Our revenue from sales of properties was CNY53,778 million for the year ended December 31, 2012, an increase of CNY5,472 million or 11.3%, from revenue of CNY48,306 million from sales of properties for the year ended December 31, 2011. The increase in revenue from sales of properties was primarily attributable to the increase in our recognized ASP for properties delivered. Our recognized ASP of properties delivered increased from CNY10,933 per sq.m. in 2011 to CNY14,144 per sq.m. in 2012, which was primarily due to the change in our product mix. We delivered a higher portion of commercial properties in 2012 compared to 2011 and commercial properties generally had higher recognized ASP compared to the recognized ASP of residential properties. The increase in sales of properties was partially offset by the decrease in our total GFA delivered. Our total GFA delivered decreased by 13.9% from 4,418,333 sq.m. in 2011 to 3,802,241 sq.m. in 2012.
- **Rental income from leasing of properties and property management service income.** Our revenue from rental income from leasing of properties and property management service income was CNY6,214 million for the year ended December 31, 2012, an increase of CNY2,213 million or 55.3%, from CNY4,001 million of revenue from rental income from leasing of properties and property management service income for the year ended December 31, 2011. The increase in revenue from rental income and management service income of investment properties was primarily attributable to an increase in leasable GFA as 17 new Wanda Plazas and one new office building were completed by us and commenced operation during the period, which also led to an increase in our management service income as additional new property projects were completed by us and included in our property management portfolio, and an increase in rents we charged to our tenants.
- **Hotel operations.** Our revenue from hotel operations was CNY2,739 million for the year ended December 31, 2012, an increase of CNY1,200 million or 78.0%, from revenue of CNY1,539 million from hotel operations for the year ended December 31, 2011. The increase in revenue from hotel operations was primarily attributable to the income we generated from the operations of our new hotels which commenced operation during the period.

- *Others.* Our revenue from others was CNY146 million for the year ended December 31, 2012, an decrease of CNY49 million or 25.1%, from revenue of CNY195 million from others for the year ended December 31, 2011.

Cost of sales. Our cost of sales increased 9.2% to CNY31,666 million in 2012 from CNY28,995 million in 2011. This increase is mainly due to the increase in our costs of sales of properties from CNY26,397 million in 2011 to CNY27,747 million in 2012, reflective of the increase in revenue from property sales. The increase in our cost of sales was also partially attributable to the increase in our costs of leasing properties and property management service from CNY 1,375 million in 2011 to CNY1,965 million in 2012 and the increase in costs of our hotel operations from CNY1,076 million in 2011 to CNY1,849 million in 2012.

Gross Profit. As a result of the foregoing, our gross profit increased 24.6% to CNY31,211 million in 2012 from CNY25,046 million in 2011. Our gross margin increased to 49.6% in 2012, compared to 46.3% in 2011. The increase in our gross profit was primarily due to the change in our product mix. We delivered a higher proportion of commercial properties in 2012 compared to 2011 and commercial properties generally had higher gross profit margin than that of residential properties. The increase in our gross profit margin in 2012 was also attributable to the increase in our rental income from leasing of properties and property management service income in 2012 as such rental income generally had higher gross profit margin compared to the gross profit margin of sales of properties.

Other income, gains and losses. Our other income, gains and losses increased 18.5% to CNY2,174 million in 2012 from CNY1,834 million in 2011 primarily due to increases in government grants.

Selling and distribution expenses. Our selling and distribution expenses increased 5.9% to CNY2,997 million in 2012 from CNY2,829 million in 2011. This slight increase was mainly attributable to an increase in salaries of sales staff from CNY375 million in 2011 to CNY464 million in 2012 and an increase in depreciation and amortization expenses from CNY294 million in 2011 to CNY375 million in 2012. Such increase was mainly due to the increase in our sales staff and sales centers, reflective of the increase in the number of property projects we launched in 2012 compared to 2011.

Administrative expenses. Our administrative expenses increased 24.1% to CNY5,141 million in 2012 from CNY4,143 million in 2011. The primary reason for the increase in our administrative expenses was mainly attributable to the increase in other tax expenses, the increase in staff salaries and the increase in other miscellaneous expenses, as a result of our continued expansion of our operations and an increase in our property sales.

Finance costs. Our finance costs increased 29.9% to CNY3,861 million in 2012 from CNY2,972 million in 2011. The increase in our finance costs was mainly due to an increase in interests on bank loans and other borrowings, resulting from the increase in average balance on bank loans and other borrowings outstanding during the period and the increase in our average interest rate, partially offset by increase in interest expenses capitalized from CNY2,223 million in 2011 to CNY2,848 million in 2012.

Change in fair value of investment properties. Our change in fair value of investment properties increased 45.2% to CNY23,824 million in 2012 from CNY16,428 million in 2011. The increase in our change in fair value of investment properties was mainly attributable to additions to our investment properties portfolio.

Share of profit/loss of an associate. Our share of profit of an associate increased to CNY151 million in 2012 from CNY nil in 2011. The increase was incurred in connection with our acquisition of our associate, Changbaishan International Tourist Resort Development Company Limited (長白山國際旅遊度假區開發有限公司) in December 2012 and such profit referred to our share of net profit of such associate in 2012.

Income tax expense. Our income tax expense increased 46.3% to CNY16,055 million for the year ended December 31, 2012 from CNY10,971 million for the year ended December 31, 2011, primarily as a result of an increase in LAT of CNY1,832 million from CNY 4,057 million in 2011 to CNY 5,889 million in 2012, reflecting a significant increase in taxable profit from sales of properties in 2012, and an increase in EIT of CNY628 million from CNY3,913 million in 2011 to CNY4,541 million in 2012, reflecting a significant increase in taxable profit in the same period. The effective tax rates applicable to us, representing the sum of our tax charges, excluding the effect of LAT, divided by our profit before tax, for the years ended December 31, 2011 and 2012 were 20.7% and 22.4%, respectively.

Profit for the year. As a result of the foregoing, our profit for the year increased 30.9% to CNY29,306 million in 2012 from CNY22,393 million in 2011.

Years ended December 31, 2011 and 2010

Turnover. Our turnover increased 36.4% to CNY54,041 million in 2011 from CNY39,613 million in 2010. The increase was primarily due to an increase in revenue generated from sales of properties.

- **Sales of properties.** Our revenue from sales of properties was CNY48,306 million for the year ended December 31, 2011, an increase of CNY11,613 million or 31.6%, from revenue of CNY36,693 million from sales of properties for the year ended December 31, 2010. The increase in revenue from sales of properties was primarily attributable to the increase in our total GFA delivered. Our total GFA delivered increased by 39.5% from 3,168,253 sq.m. in 2010 to 4,418,333 sq.m. in 2011. Such increase was partially offset by the decrease in our recognized ASP in 2011 compared to recognized ASP in 2010. The recognized ASP of our properties delivered decreased by 5.6% from CNY11,581 per sq.m. in 2010 to CNY10,933 per sq.m. in 2011, which was mainly due to the change in our product mix.
- **Rental income from leasing of properties and property management service income.** Our revenue from rental income from leasing of properties and property management service income was CNY4,001 million for the year ended December 31, 2011, an increase of CNY1,848 million or 85.8%, from CNY2,153 million of revenue from rental income from leasing of properties and property management service income for the year ended December 31, 2010. The increase in revenue from rental income from leasing of properties and property management service income was primarily attributable to an increase in leasable GFA as 15 new Wanda Plazas and one new office building were completed by us and commenced operation during the period, which also led to an increase in our management service income as additional new property projects were completed by us and included in our property management portfolio, and an increase in rents we charged to our tenants.
- **Hotel operations.** Our revenue from hotel operations was CNY1,539 million for the year ended December 31, 2011, an increase of CNY864 million or 128.0%, from revenue of CNY675 million from hotel operations for the year ended December 31, 2010. The increase in revenue from hotel operations was primarily attributable to the income we generated from the operations of our new hotels which commenced operation during the period.
- **Others.** Our revenue from others was CNY195 million for the year ended December 31, 2011, an increase of CNY103 million or 112.0%, from revenue of CNY92 million from others for the year ended December 31, 2010.

Cost of sales. Our cost of sales increased 38.7% to CNY28,995 million in 2011 from CNY20,898 million in 2010. This increase is mainly attributable to the increase in our costs of sales of properties from CNY19,593 million in 2010 to CNY26,397 million in 2011, which was due to the increase in total GFA delivered in 2011 and was reflective of the increase in revenue from property sales in 2011.

Gross Profit. As a result of the foregoing, our gross profit increased 33.8% to CNY25,046 million in 2011 from CNY18,715 million in 2010. Our gross margin decreased to 46.3% in 2011 compared to 47.2% in 2010. The decrease in our gross margin was mainly due to the change in our product mix. Such decrease was partially offset by the increase in our rental income from leasing of properties and property management service income in 2011 as such rental income generally had higher gross profit margin compared to the gross profit margin of sales of properties.

Other income, gains and losses. Our other income, gains and losses increased 52.6% to CNY1,834 million in 2011 from CNY1,202 million in 2010 primarily due to increases in government grants and interest income.

Selling and distribution expenses. Our selling and distribution expenses increased 69.0% to CNY2,829 million in 2011 from CNY1,674 million in 2010. This increase was due to increases in our advertising and promotional expenses from CNY1,177 million in 2010 to CNY1,743 million in 2011 and salaries of sales staff from CNY229 million in 2010 to CNY375 million in 2011, reflecting an increase in the number of property projects we launched in 2011 compared to 2010.

Administrative expenses. Our administrative expenses increased 52.7% to CNY4,143 million in 2011 from CNY2,713 million in 2010. The primary reason for the increase in our administrative expenses was mainly due to an increase in staff salaries, an increase in other tax expenses, an increase in depreciation and amortization expenses as well as an increase in administrative office expenses and miscellaneous expenses.

Finance costs. Our finance costs increased 76.9% to CNY2,972 million in 2011 from CNY1,680 million in 2010. The increase in our finance costs was mainly due to an increase in interests on bank loans and other borrowings, resulting from the increase in average balance on bank loans and other borrowings outstanding during the period, partially offset by increase in interest expenses capitalized from CNY1,916 million in 2010 to CNY2,223 million in 2011.

Change in fair value of investment properties. Our change in fair value of investment properties increased 32.2% to CNY16,428 million in 2011 from CNY12,424 million in 2010. The increase in our change in fair value of investment properties was mainly attributable to additions to our investment properties portfolio.

Income tax expense. Our income tax expense increased 21.6% to CNY10,971 million for the year ended December 31, 2011 from CNY9,023 million for the year ended December 31, 2010. The increase was primarily attributable to the increase in LAT as a result of an increase in taxable profit from sales of properties in 2011. The effective tax rates applicable to us, representing the sum of our tax charges, excluding the effect of LAT, divided by our profit before tax, for the years ended December 31, 2010 and 2011 were 24.6% and 20.7%, respectively.

Profit for the year. As a result of the foregoing, our profit for the year increased 29.8% to CNY22,393 million in 2011 from CNY17,251 million in 2010.

Liquidity and capital resources

Net Current Assets

	As of December 31,			As of June 30,	
	2010	2011	2012	2013	2013
				(unaudited)	(unaudited)
	CNY	CNY	CNY	CNY	US\$
	(in millions)				
Current assets					
Inventories	37,386	57,259	76,214	93,554	15,287
Trade and other receivables	12,396	14,149	17,228	16,009	2,616
Prepaid tax	207	1,756	3,123	3,440	562
Derivative financial asset	—	—	—	55	9
Pledged and restricted bank deposits	734	2,212	2,131	2,602	425
Bank balances and cash	35,090	44,048	48,585	73,681	12,039
	<u>85,813</u>	<u>119,424</u>	<u>147,281</u>	<u>189,341</u>	<u>30,938</u>
Current liabilities					
Trade and other payables	13,632	28,304	33,459	38,445	6,282
Deferred income	—	—	191	193	32
Pre-sales proceeds received on sales of properties	37,781	71,274	94,111	103,269	16,874
Borrowings	8,885	16,611	21,681	17,944	2,932
Dividend payables	—	—	13	13	2
Tax payables	5,581	5,586	5,710	2,986	488
	<u>65,879</u>	<u>121,775</u>	<u>155,165</u>	<u>162,850</u>	<u>26,610</u>
Net Current Assets/(Liabilities)	<u>19,934</u>	<u>(2,351)</u>	<u>(7,884)</u>	<u>26,491</u>	<u>4,328</u>

As at June 30, 2013, our net current assets amounted to CNY26,491 million, which increased from net current liabilities of CNY7,884 million as at December 31, 2012. The increase was primarily due to the increase in inventories and bank balances and cash, partially offset by the increase in trade and other payables and pre-sales proceeds received on sales of properties. As at June 30, 2013, our current assets were mainly comprised of inventories of CNY93,554 million, bank balances and cash of CNY73,681 million, trade and other receivables of CNY16,009 million, pledged and restricted bank deposits of CNY2,602 million and prepaid tax of CNY3,440 million. As at June 30, 2013, our current liabilities were mainly comprised of trade and other payables of CNY38,445 million, pre-sales proceeds received on sales of properties of CNY103,269 million, borrowings of CNY17,944 million and tax payables of CNY2,986 million.

Cash flows

We fund our short-term working capital requirements through cash flow from operations, working capital facilities and long-term borrowings. As of December 31, 2010, 2011 and 2012 and June 30, 2013, we had cash and cash equivalents, comprising bank balances and cash, of CNY35,090 million, CNY44,048 million, CNY48,585 million and CNY73,681 million, respectively. These sources of funding, and our ability to fund our capital expenditure needs, could be adversely affected by a decrease in cash received from our pre-sales and sales of our properties or an inability to obtain funds from external sources on acceptable terms or in a timely manner.

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

	As of December 31,			As of June 30,		
	2010	2011	2012	2012	2013	2013
	CNY	CNY	CNY	(unaudited) CNY	(unaudited) CNY	(unaudited) US\$
	(in millions)					
Summary Cash Flow Information						
Net cash (used in) from operating activities.....	19,028	31,356	16,254	(4,431)	(1,533)	(251)
Net cash (used in) from investing activities.....	(20,591)	(24,943)	(28,086)	(7,647)	(6,656)	(1,088)
Net cash (used in) from financing activities.....	17,907	2,545	16,369	5,897	33,285	5,439
Net increase/(decrease) in cash and cash equivalents	16,344	8,958	4,537	(6,181)	25,096	4,100
Cash and cash equivalents at beginning of year/period ..	18,746	35,090	44,048	44,048	48,585	7,939
Cash and cash equivalents at end of year/period, comprising bank balances and cash	35,090	44,048	48,585	37,867	73,681	12,039

Operating activities

Net cash from/used in operating activities primarily consists of profit for the period before income tax expense adjusted for non-cash items, including change in fair value of investment properties, depreciation and amortization and finance costs and the effect of changes in working capital. Our cash from operations is generated principally from our turnover, including revenue from sales of properties, rental income from leasing of properties and property management service income, revenue from our hotel operations and revenue from others, and supplemented by increases in pre-sales proceeds received on sale of properties and trade and other payables, which have been accrued but are not yet due.

For the six months ended June 30, 2013, we used CNY1,533 million of net cash in operating activities, which was primarily attributable to an increase in inventories of CNY10,364 million, a decrease in trade and other payables of CNY4,811 million and PRC enterprise income tax and LAT paid of CNY7,349 million, partially offset by operating cash inflows before changes in working capital of CNY12,305 million and increases in pre-sales proceeds received on sale of properties of CNY8,803 million.

For the year ended December 31, 2012, we generated CNY16,254 million of net cash from operating activities, which was primarily attributable to operating cash inflows before changes in working capital of CNY26,140 million and an increase in pre-sales proceeds received on sale of properties of CNY22,347 million partially offset by an increase in inventories of CNY15,196 million, a decrease in trade and other payables of CNY3,871 million and PRC enterprise income tax and LAT paid of CNY11,659 million.

For the year ended December 31, 2011, we generated CNY31,356 million of net cash from operating activities, which was primarily attributable to operating cash inflows before changes in working capital of CNY20,264 million, an increase in pre-sales proceeds received on sale of properties of CNY33,493 million and an increase in trade and other payables of CNY6,631 million, partially offset by an increase in inventories of CNY17,650 million and PRC enterprise income tax and LAT paid of CNY9,514 million.

For the year ended December 31, 2010, we generated CNY19,028 million of net cash from operating activities, which was primarily attributable to operating cash inflows before changes in working capital of CNY15,523 million, an increase in pre-sales proceeds received on sale of properties of CNY25,753 million and an increase in trade and other payables of CNY5,199 million, partially offset by an increase in inventories of CNY14,821 million, increase in trade and other receivables of CNY10,160 million and PRC enterprise income tax and LAT paid of CNY2,676 million.

Investing activities

Our cash flow used in investing activities primarily reflects the payment for acquisition of property, plant and equipment, development and construction costs of investment properties, and payment for land use right deposit and premium. Our cash flow generated from investing activities primarily reflects disposal of an associate and disposal of property, plant and equipment.

For the six months ended June 30, 2013, net cash used in investing activities was CNY6,656 million, consisting primarily of (i) development and construction of investment properties of CNY4,923 million; (ii) payment for our purchase of property, plant and equipment of CNY1,176 million; (iii) payment for acquisition of associates of CNY123 million; (iv) payment of acquisition of land use right of CNY477 million; and (v) net payment of acquisition of the Hong Kong Listco of CNY338 million. Such cash outflow was offset by net cash inflow as a result of the acquisition of Changbaishan International Tourist Resort Development Company Limited (長白山國際旅遊度假區開發有限公司) of CNY566 million.

For the year ended December 31, 2012, net cash used in investing activities was CNY28,086 million, consisting primarily of (i) development and construction of investment properties of CNY19,782 million; (ii) payment for our purchase of property, plant and equipment of CNY4,177 million; (iii) payment for acquisition of land use rights of CNY1,474 million; (iv) payment for acquisition of an associate of CNY1,558 million; and (v) payment for acquisition of a subsidiary of CNY963 million.

For the year ended December 31, 2011, net cash used in investing activities was CNY24,943 million, consisting primarily of (i) development and construction of investment properties of CNY17,257 million; (ii) net cash outflow of CNY1,935 million for business combination in relation to acquisitions of Beijing Wanda Plaza Real Estate Development Company Limited (北京萬達廣場房地產開發有限公司) and Sichuan Wanda Hotel Management Company Limited (四川萬達大酒店管理有限公司); (iii) payment for our purchase of property, plant and equipment of CNY4,435 million; and (iv) payment for acquisition of land use rights of CNY1,270 million.

For the year ended December 31, 2010, net cash used in investing activities was CNY20,591 million, consisting primarily of (i) development and construction of investment properties of CNY15,894 million; (ii) payment for our purchase of property, plant and equipment of CNY4,192 million; and (iii) payment for acquisition of land use right of CNY729 million.

Financing activities

Our cash inflow from financing activities is mainly generated from new bank borrowings. Our cash outflow from financing activities reflects repayment of bank borrowings, interest and bank charges paid and dividend paid.

For the six months ended June 30, 2013, net cash generated from financing activities was CNY33,285 million, primarily comprised of new bank borrowings of CNY47,272 million. This was partially offset by the repayment of bank borrowings of CNY9,263 million and interest and bank charges paid of CNY3,731 million as well as payment of dividends of CNY1,998 million.

For the year ended December 31, 2012, net cash generated from financing activities was CNY16,369 million, primarily comprised of new bank borrowings of CNY57,470 million, partially offset by the repayment of bank borrowings of CNY33,848 million and interest and bank charges of CNY5,952 million as well as payment of dividends of CNY1,967 million.

For the year ended December 31, 2011, net cash generated from financing activities was CNY2,545 million, primarily comprised of new bank borrowings of CNY39,478 million, partially offset by the repayment of bank borrowings of CNY30,371 million and interest and bank charges paid of CNY5,649 million.

For the year ended December 31, 2010, net cash generated from financing activities was CNY17,907 million, primarily comprised of new bank borrowings of CNY42,270 million, partially offset by the repayment of bank borrowings of CNY20,520 million and interest and bank charges paid of CNY3,530 million as well as payment of dividends of CNY450 million.

Indebtedness

Banks and other borrowings

As of June 30, 2013, our total consolidated bank and other borrowings were approximately CNY136,172 million. The following table sets forth our borrowings at the dates indicated:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	CNY	%	CNY	%	CNY	%	CNY	%
	(in millions)							
Bank borrowings	56,159	92.6	57,786	82.9	74,364	79.8	100,642	73.9
Other borrowings ⁽¹⁾	4,480	7.4	11,961	17.1	18,864	20.2	35,530	26.1
Total	<u>60,639</u>	<u>100.0</u>	<u>69,747</u>	<u>100.0</u>	<u>93,228</u>	<u>100.0</u>	<u>136,172</u>	<u>100.0</u>
Analyzed as:								
Secured	56,609	93.4	63,201	90.6	78,335	84.0	115,175	84.6
Unsecured	4,030	6.6	6,546	9.4	14,893	16.0	20,997	15.4
Total	<u>60,639</u>	<u>100.0</u>	<u>69,747</u>	<u>100.0</u>	<u>93,228</u>	<u>100.0</u>	<u>136,172</u>	<u>100.0</u>

Note:

(1) Other borrowings include borrowings from trust financing companies and others.

During the period of 2010, 2011 and 2012 and for the six months ended June 30, 2013, the borrowed funds were primarily used to finance our property development and general working capital. Subsequent to June 30, 2013, we have, from time to time, in the ordinary course of business, incurred additional loans and borrowings to finance our property developments or for general working capital purposes. Our interest costs incurred (including the capitalized portion) in the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were CNY3,596 million, CNY5,195 million, CNY6,709 million and CNY4,654 million, respectively.

The following table sets forth our debt by maturity as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	CNY	CNY	CNY	CNY
	(in millions)			
Repayable:				
On demand or within one year	8,885	16,611	21,681	17,944
After one year but within two years	16,441	14,974	20,194	34,791
After two years but within five years	23,044	22,206	23,738	44,559
More than five years	12,269	15,956	27,615	38,878
Total borrowings	<u>60,639</u>	<u>69,747</u>	<u>93,228</u>	<u>136,172</u>

Our trust financings

Our other borrowings mainly consist of trust financings and borrowings from others. For the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, the amount of our trust financings were approximately CNY4,480 million, CNY11,461 million, CNY14,787 million and CNY31,453 million, respectively.

Under trust financing arrangements, certain of our subsidiaries in the PRC which are engaged in development of property projects entered into financing arrangements with certain financial institutions in the PRC (“trust financing companies”). Pursuant to which, the trust financing companies set up trust programs, raised trust funds and injected the funds to our relevant PRC subsidiaries. All of our trust financings bear fixed interest rates and have fixed repayment schedules. Compared to bank loans, trust financings generally offer greater flexibility in terms of availability. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies.

Most of our borrowings from trust financings are secured by shares of certain of our PRC subsidiaries. Under each trust financing arrangement, we either granted a pledge of the equity interest held by us in, and/or land use rights or other assets held by, the relevant PRC subsidiary in favor of the trust financing company, or we transferred a minority equity interest in the relevant PRC subsidiary and pledged the remaining equity interest held by us in the relevant PRC subsidiary and/or our other assets to the trust financing company. According to our trust financing arrangement, at maturity, and upon satisfaction of the terms for the repayment of the trust financings, the pledge of the equity interest in the relevant PRC subsidiary and/or other pledged assets will be released and the minority interest in the relevant PRC subsidiary will be repurchased from the trust financing company. As at December 31, 2010, 2011 and 2012 and June 30, 2013, the net assets of our shares in the relevant PRC subsidiaries which were provided to secure our trust financings were approximately CNY4,468 million, CNY8,751 million, CNY7,835 million and CNY12,505 million, respectively.

Convertible bonds

As of June 30, 2013, there were outstanding convertible bonds with present value of CNY62 million in our unaudited consolidated statements of financial position. The convertible bonds were issued by the Hong Kong Listco and were consolidated into our financial statements after the completion of the Acquisition of the Hong Kong Listco.

Contingent Liabilities

Our contingent liabilities consist of mortgage guarantees. We provided mortgage guarantees to PRC banks in respect of the mortgage loans provided by the PRC banks to purchasers of the properties we developed and sold. Our mortgage guarantees are issued from the dates of grant of the relevant mortgage loans and released upon receiving the building ownership certificate of the respective properties by the banks from the purchasers as a pledge for security to the mortgage loans granted. As of December 31, 2010, 2011 and 2012 and June 30, 2013, we had provided an aggregate CNY17,682 million, CNY29,317 million, CNY34,073 million and CNY42,155 million in guarantees to our customers, respectively.

Contractual commitments and capital expenditures

In addition to the payment obligations under our borrowings set forth above, we also have continuing obligations to make future minimum lease payments under non-cancellable operating leases, which represent our rentals payable on our office premises with lease periods. These commitments fall due as follows:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
				(unaudited)
	CNY	CNY	CNY	CNY
	(in millions)			
Repayable:				
Within one year	11	13	20	43
In the second to fifth year inclusive	10	20	28	94
Total commitments	21	33	48	137

In addition, we also have obligations to pay land grant premium under state-owned land use right grant contracts, make payment of construction fee to our construction contractors, and make capital injection into one of our associates. These capital commitments fall due as follows:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(unaudited)			
	CNY	CNY	CNY	CNY
	(in millions)			
Commitments for the acquisition of land use right and construction contracts:				
Authorized but not contracted for	—	—	—	—
Contracted for but not provided	46,712	73,033	96,216	109,726
Commitment for the capital injection into one associate	—	—	—	700
Total	<u>46,712</u>	<u>73,033</u>	<u>96,216</u>	<u>110,426</u>

Off-balance sheet arrangements

Except for the contingent liabilities set forth above, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

Qualitative and quantitative disclosure about market risk

We are exposed to various types of market risks in the normal course of business, primarily including credit risk, interest rate risk and liquidity risk. The following discussion summarizes our exposure to different market risks:

Credit risk

Our credit risk is primarily attributable to trade and other receivables, such as credit exposure relating to mortgage property sales, rental of investment properties and bank deposit. We have credit policies in place and the exposures to these credit risks are monitored on an ongoing basis. We monitor the credit ratings of banks regularly and limit the aggregate risk to any individual counterparty. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC. In respect of mortgage sales, if a property purchaser defaults on its mortgage and the bank demands us to pay the outstanding amount and interest accrued thereon, we can resell the property repossessed. We consider the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is often higher than the guaranteed amounts.

Interest rate risk

Our interest rate risk is primarily attributable to bank and other borrowings. Cash flow interest rate risk refers to risk that any changes in prevailing market interest rates prescribed by the PBOC will affect our cash flow from bank and other borrowings. We currently do not have an interest rate hedging policy. However, our management will consider hedging significant interest rate exposure should the need arise.

Liquidity risk

We will be exposed to liquidity risk if we are unable to raise sufficient funds to meet our financial commitments when they fall due. To manage liquidity risk, our management reviews the liquidity position on an ongoing basis, including review of the expected cash inflows and outflows, sale and/or pre-sales results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor our liquidity requirements in the short and long terms. We monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flow, and monitor our net current liabilities and the utilization of borrowings to ensure adequate undrawn banking facilities and compliance with loan covenants.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our profit for the year/period before finance costs, income tax expense, depreciation and amortization and excluding change in fair value of investment properties, other losses/(gains) net and share of profit/(loss) of an associate.

EBITDA is not a standard measure under IFRS, but is a widely used financial indicator of a company's ability to service and incur debt. As our business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on net profit of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measures to assess the operating performance of companies in its market sector.

As a measure of our operating performance, we believe that the most directly comparable IFRS measure to EBITDA is profits before tax. We operate in a capital intensive industry. We use EBITDA in addition to operating profit because operating profit includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and investment income. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization and investment income, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results.

EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit before tax for the year/period determined under IFRS to its definition of EBITDA for the year/period indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	CNY in millions				
Turnover	39,613	54,041	62,877	19,733	33,817
Profit for the year/period	17,251	22,393	29,306	6,025	8,462
Adjustments:					
Finance costs.....	1,344	2,536	3,501	1,479	2,521
Income tax expenses.....	9,023	10,971	16,055	5,048	5,350
Change in fair value of investment properties.....	(12,424)	(16,428)	(23,824)	(4,923)	(4,897)
Other losses/(gains) net.....	(866)	(1,398)	(1,814)	(532)	(1,137)
Share of profit of an associate.....	—	—	(151)	—	139
Depreciation.....	251	517	881	358	455
Amortization of land use right.....	32	45	79	39	41
Amortization of intangible assets.....	1	3	10	4	8
EBITDA	14,612	18,639	24,043	7,498	10,942
EBITDA margin⁽¹⁾	36.9%	34.5%	38.2%	38.0%	32.4%

Note:

(1) EBITDA margin is calculated by dividing EBITDA by turnover for the relevant period, expressed as a percentage.

Terms and Conditions of the Bonds

The following other than the words in italics is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of US\$600,000,000 7.25 per cent. bonds due 2024 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any additional Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorized by a resolution of the board of Directors of Wanda Properties International Co. Limited (the “**Issuer**”) passed on January 23, 2014. The Bonds are jointly and severally guaranteed by the Subsidiary Guarantors (as defined in Condition 3). The giving of the Guarantee (as defined in Condition 3(b)) was authorized by a resolution of the board of directors of each of the Subsidiary Guarantors on January 23, 2014. Each of the Issuer and the Subsidiary Guarantors is, directly or indirectly, a subsidiary of Dalian Wanda Commercial Properties Co., Ltd. (the “**Company**”). The Bonds are constituted by a Trust Deed (the “**Trust Deed**”) dated on or about January 29, 2014 (the “**Issue Date**”) between the Issuer, the Company, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch (the “**Trustee**” which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. Copies of the Trust Deed and of the Agency Agreement (the “**Agency Agreement**”) dated on or about January 29, 2014 relating to the Bonds between the Issuer, the Subsidiary Guarantors, the Trustee, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the “**Registrar**”) and as transfer agent (the “**Transfer Agent**”), The Bank of New York Mellon, London Branch as initial principal paying agent (the “**Principal Paying Agent**”) and any other agents named in it, are available for inspection during usual business hours at the registered office of the Trustee (presently at 40th Floor, One Canada Square, London, E14 5AL, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and the Transfer Agent. The “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds also have the benefit of (i) a keepwell deed dated on or about January 29, 2014 (the “**Keepwell Deed**”) entered into by the Issuer, the Company, Wanda Commercial Properties (Hong Kong) Co. Limited (“**Wanda HK**”) and the Trustee; (ii) a deed of equity interest purchase undertaking dated on or about January 29, 2014 (the “**Deed of Equity Interest Purchase Undertaking**”) entered into by the Company and the Trustee, both deeds being executed in favor of the Trustee; and (iii) an Interest Reserve Account Agreement dated on or about January 29, 2014 (the “**Interest Reserve Account Agreement**”) entered into by the Issuer, the Trustee and The Bank of New York Mellon, Hong Kong Branch as the account bank (the “**Account Bank**”). The entering into the Keepwell Deed was authorized by a resolution of the board of directors of each of the Company, Wanda HK and the Issuer on January 23, 2014. The entering into the Deed of Equity Interest Purchase Undertaking was authorized by a resolution of the board of directors of the Company on January 23, 2014. The entering into the Interest Reserve Account Agreement was authorized by a resolution of the Board of Directors of the Issuer on January 23, 2014. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking.

All capitalized terms that are not defined in these terms and conditions (“**these Conditions**”) will have the meanings given to them in the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

The Bonds are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered.

Upon issue, the Bonds will be represented by a global certificate (the “Global Certificate”) deposited with a common depository for, and representing Bonds registered in the name of a nominee of such common depository for, Euroclear and Clearstream. These conditions are modified by certain provisions contained in the Global Certificate. See “Summary of Provisions relating to the Bonds in Global Form”.

2 TRANSFERS OF BONDS

- (a) **Transfer:** A holding of Bonds may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon written request.
- (b) **Exercise of Options or Partial Redemption in Respect of Bonds:** In the case of an exercise of an Issuer’s option in respect of, or a partial redemption of, a holding of Bonds represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Bonds of the same holding having different terms, separate Certificates shall be issued in respect of those Bonds of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- (c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) or Condition 2(b) shall be available for delivery within seven business days of receipt of a duly completed form of transfer or Optional Redemption Notice (as defined in Condition 6(d) and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Optional Redemption Notice and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Optional Redemption Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), “**business day**” means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (d) **Transfer or Exercise Free of Charge:** Certificates, on transfer, exercise of an option or redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).
- (e) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) during the period of 15 days prior to (and including any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Bond has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

3 STATUS, GUARANTEE AND SECURITY

- (a) **Status:** The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
- (b) **Guarantee:** The Subsidiary Guarantors have unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. Each Subsidiary Guarantor's obligations in respect of the Bonds and the Trust Deed (the "**Guarantee**") are contained in the Trust Deed (and any supplement thereto). The obligations of the Subsidiary Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

In these Conditions:

"**Subsidiary Guarantors**" means Wanda HK, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited.

4 COVENANTS

- (a) **Negative Pledge:**
 - (i) So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Subsidiary Guarantors shall, and each of the Issuer and the Subsidiary Guarantors shall procure that none of their respective Subsidiaries (other than Wanda Commercial Properties (Group) Co., Limited and its Subsidiaries) will, create or permit to subsist any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues to secure (A) any Relevant Indebtedness outside the PRC or (B) any guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC without (i) at the same time or prior thereto securing the Bonds or guaranteeing or indemnifying the Bondholders equally and rateably therewith or (ii) providing such other security for the Bonds as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders;
 - (ii) So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer and the Subsidiary Guarantors undertake to procure that (A) the Company shall not create or have any Relevant Indebtedness outside the PRC unless the Company at the same time (a) provides an unsubordinated guarantee or indemnity in respect of the Bonds in form and substance satisfactory to the Trustee or (b) offers to exchange the Bonds for securities issued or guaranteed by the Company with terms substantially identical to those of the Bonds as certified by an Independent Investment Bank; (B) the Company and its Subsidiaries (other than Wanda Commercial Properties (Group) Co., Limited and its Subsidiaries) will not create or permit to subsist any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness outside the PRC without at the same time or prior thereto securing the Bonds equally and rateably therewith; and (C) the Company will not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC without at the same time or prior thereto (a) according to the Bonds the same or an equivalent guarantee or indemnity or (b) offering to exchange the Bonds for securities issued or guaranteed by the Company with terms substantially identical to those of the Bonds as certified by an Independent Investment Bank.
- (b) **Financial Covenants:** Each of the Issuer and Wanda HK undertakes that from the Issue Date and for so long as any Bonds are outstanding, Wanda HK shall at all times maintain its Total Equity at not less than HK\$1,000,000,000 or its equivalent.

The financial covenant set out in this Condition 4(b) shall be tested by reference to the Wanda HK Audited Financial Reports or, as the case may be, the Wanda HK Unaudited Financial Reports as at the end of each Relevant Period.

The Trustee is under no obligation to monitor compliance by the Issuer or Wanda HK with this Condition 4(b) and shall not be responsible or liable to any Bondholder or any other person for not doing so.

- (c) **Financial Information:** For so long as any Bond remains outstanding:
- (i) the Company will furnish the Trustee with (A) a Compliance Certificate of the Company (on which the Trustee may rely as to such compliance) and a copy of the relevant Company Audited Financial Reports within 120 days of the end of each Relevant Period prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (audited by an internationally recognized firm of independent accountants) of the Company and its subsidiaries and, if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) an internationally recognized firm of accountants or (bb) a professional translation service provider and checked by an internationally recognized firm of accountants, together with a certificate signed by a director of the Company certifying that such translation is complete and accurate; and (B) a copy of the Company Unaudited Financial Reports within 60 days of the end of each Relevant Period prepared on a basis consistent with audited consolidated financial statements of the Company and its subsidiaries and, if such statements shall be in the Chinese language, together with an English translation of the same and translated by (aa) an internationally recognized firm of accountants or (bb) a professional translation service provider and checked by an internationally recognized firm of accountants, together with a certificate signed by a director of the Company certifying that such translation is complete and accurate; provided that, if at any time the capital stock of the Company is listed for trading on a recognized stock exchange, the Company may make available to the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Company are filed with the exchange on which the Company's capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in Condition 4(c)(i)(A) and Condition 4(c)(i)(B) above; and
 - (ii) the Issuer and the Subsidiary Guarantors will furnish the Trustee with (A) a Compliance Certificate of each of the Issuer and the Subsidiary Guarantors (on which the Trustee may rely as to such compliance) and a copy of the relevant Wanda HK Audited Financial Reports within 120 days of the end of each Relevant Period; and (B) a copy of the Wanda HK Unaudited Financial Reports within 60 days of the end of each Relevant Period.
- (d) **Interest Reserve Account:** Pursuant to the Interest Reserve Account Agreement:
- (i) on the Issue Date, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account, the Relevant Balance;
 - (ii) the Issuer shall, unless otherwise permitted under these Conditions or the Interest Reserve Account Agreement, at all times until all Bonds have been redeemed or purchased and cancelled in full, maintain a credit balance in the Interest Reserve Account that is equal to the Relevant Balance;
 - (iii) so long as there has not occurred any Potential Event of Default or Event of Default, the Issuer may, by written notice to the Account Bank, instruct the Account Bank to transfer that amount which is specified in such notice from the Interest Reserve Account in accordance with the Interest Reserve Account Agreement to the Principal Paying Agent for payment of any interest due and payable under the Bonds on the next Interest Payment Date falling immediately after the date of such written notice, for payment to the Bondholders in accordance with these Conditions and the Agency Agreement. After each such withdrawal is made, the Issuer shall deposit or procure there to be deposited a US dollar amount into the Interest Reserve Account within 30 days after the withdrawal to ensure that the Interest Reserve Fund after such deposit shall be no less than the Relevant Balance as of the date of deposit;

- (iv) the Issuer shall only give instructions in accordance with Condition 4(d)(iii) to transfer from the Interest Reserve Fund in the Interest Reserve Account the amount which is equal to the interest due and payable under the Bonds on the next Interest Payment Date falling immediately after the date of such written notice in accordance with these Conditions and the Interest Reserve Account Agreement;
 - (v) upon the Bonds becoming due and payable following the occurrence of an Event of Default under the Bonds or upon the Trustee being notified in writing of the non-payment of principal in respect of the Bonds, the Interest Reserve Fund shall be held solely to the order of the Trustee and the Trustee shall be entitled to instruct the Account Bank to transfer the Interest Reserve Fund to the Trustee for application by the Trustee in accordance with the provisions of the Trust Deed towards payment of the amounts due under the Bonds and the Trust Deed and the other amounts payable under the Trust Deed; and
 - (vi) upon the redemption or purchase and cancellation of the Bonds in full, the Issuer may direct the Account Bank to transfer the Interest Reserve Fund to the Issuer in accordance with the Interest Reserve Account Agreement.
- (e) **Issuer Activities:** the Issuer shall not, and the Subsidiary Guarantors and the Company will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the Bonds (such activities in connection with the Bonds shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds to any of the Subsidiary Guarantors or the Company or as any of them may direct).
- (f) **Deed of Equity Interest Purchase Undertaking:** Upon the occurrence of any Event of Default (as defined under Condition 9), the Trustee shall give to the Company (with a copy to the Issuer) a notice in writing in accordance with the Trust Deed notifying the Company of its obligations to purchase under the Deed of Equity Interest Purchase Undertaking. Upon the completion of any equity purchase made in accordance with the Deed of Equity Interest Purchase Undertaking, each of the Issuer and the Subsidiary Guarantors undertakes to (i) direct the Company promptly to pay or procure to be paid an amount (being an amount no less than the amount sufficient to enable the Issuer and the Subsidiary Guarantors to discharge their respective obligations under the Bonds and the Trust Deed and those other payment obligations described under the Deed of Equity Interest Purchase Undertaking) from the proceeds to be received by the relevant Subsidiary Guarantor or Subsidiary Guarantors and/or any other relevant Subsidiaries of the Company incorporated outside the PRC in relation to such equity purchase made in accordance with the Deed of Equity Interest Purchase Undertaking to or to the order of the Trustee and (ii) promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the proceeds received in accordance with the Deed of Equity Interest Purchase Undertaking to be applied solely towards the payment in accordance with the Trust Deed of any outstanding amounts under the Trust Deed and the Bonds (including any interest accrued but unpaid on the Bonds) prior any other use, disposal or transfer of the proceeds received.
- (g) **Irrevocable Cross-Border RMB Standby Facility:** In the event that (i) the Issuer fails to provide a Liquidity Notice to each of the Company and the Trustee at least 30 Facility Business Days prior to an Interest Payment Date in accordance with the Keepwell Deed, or (ii) an Event of Default has occurred, the Company shall, among other things, (a) as soon as practicable grant to the Issuer a standby facility, (b) remit an amount in RMB to the Issuer in order for it to discharge its obligations under the Bonds, the Trust Deed, the Agency Agreement, the Deed of Equity Interest Purchase Undertaking, the Interest Reserve Account Agreement and the Keepwell Deed, and (c) cause the Issuer to use the amount received to discharge its obligations under the Bonds and Trust Deed, in each case in accordance with and as set out in the Keepwell Deed.

In these Conditions:

“**Company Audited Financial Reports**” means annual audited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of the Company together with any statements, reports (including any Directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“Company Unaudited Financial Reports” means semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of the Company together with any statements, reports (including any Directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them;

“Compliance Certificate” means a certificate of each of the Company, the Issuer and the Subsidiary Guarantors (as the case may be) signed by their respective directors (in the case of the Company, signed by two of its directors, and in the case of the Issuer or any of the Subsidiary Guarantors, signed by one director) that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Company, the Issuer or the Subsidiary Guarantors (as the case may be) as at a date (the **“Certification Date”**) not more than five days before the date of the certificate:

- (i) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (ii) each of Company, the Issuer and the Subsidiary Guarantors (as the case may be) has complied with all its obligations under the Trust Deed and the Bonds.

“Facility Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are generally open for business in New York City, Beijing, London and Hong Kong;

“Interest Reserve Account” means a US dollar account established in the name of the Issuer with The Bank of New York Mellon, Hong Kong Branch as specified in the Interest Reserve Account Agreement;

“Interest Reserve Fund” means any amount standing to the credit of the Interest Reserve Account from time to time;

“Independent Investment Bank” means an independent investment bank of international repute (acting as an expert) selected by the Issuer (at the expense of the Issuer, failing whom the Subsidiary Guarantors) and notified in writing to the Trustee;

“Liquidity Notice” means the notice to be given by the Issuer to the Company and the Trustee no later than 30 Facility Business Days before each Interest Payment Date certifying, as at the date of such notice, that it has sufficient liquidity to meet its payment obligations under the Bonds and the Trust Deed as they may fall due (together with evidence of available funding outside the PRC) and that no Event of Default or potential Event of Default has occurred.

“Potential Event of Default” means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfillment of any other requirement provided for in Condition 9 become an Event of Default;

“PRC” means the People’s Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

“Wanda HK Audited Financial Reports” means annual audited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of Wanda HK together with any statements, reports (including any Directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“Wanda HK Unaudited Financial Reports” means semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of Wanda HK together with any statements, reports (including any Directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them;

“Relevant Balance” means, subject to withdrawals as permitted under the Interest Reserve Account Agreement, US\$43,500,000, being the interest payable in respect of two interest periods on the Bonds;

“**Relevant Indebtedness**” means any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans);

“**Relevant Period**” means, in relation to each of the Company Audited Financial Reports and the Wanda HK Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being December 31 of that financial year) and, in relation to each of the Company Unaudited Financial Reports and the Wanda HK Unaudited Financial Reports, each period of six months ending on the last day of their respective first half financial year (being June 30 of that financial year);

a “**Subsidiary**” of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

“**Total Equity**” means the line item with the corresponding caption in the consolidated statement of financial position of Wanda HK in the Wanda HK Audited Financial Reports and the Wanda HK Unaudited Financial Reports, as the case may be, comprising the aggregate of:

- (i) the amount paid up or credited as paid up on the issued ordinary share capital of Wanda HK;
- (ii) the amount standing to the credit of the consolidated reserve of Wanda HK and its Subsidiaries; and
- (iii) the amount attributable to the non-controlling interests.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including January 29, 2014 at the rate of 7.25 per cent. per annum, payable semi-annually in arrear on January 29 and July 29 in each year (each an “**Interest Payment Date**”).

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day—count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including January 29, 2014 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per US\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable on each Interest Payment Date shall be US\$7,250 in respect of each Bond of US\$200,000 denomination and US\$36.25 in respect of each US\$1,000 of principal amount of a Bond. If interest is required to be paid in respect of a Bond on any other date, the amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal installments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 REDEMPTION AND PURCHASE

- (a) **Final Redemption:** Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on January 29, 2024 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.
- (b) **Redemption for Tax Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee was called, any of the Subsidiary Guarantors) satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or the PRC (each, 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, which change or amendment becomes effective on or after January 23, 2014, and (ii) such obligation cannot be avoided by the Issuer (or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Subsidiary Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the relevant Subsidiary Guarantor, as the case may be) shall deliver to the Trustee a certificate signed by a director of the Issuer (or of the relevant Subsidiary Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 6(b) without further enquiry and without liability to any Bondholder, in which event it shall be conclusive and binding on the Bondholders.
- (c) **Redemption for Put Event:** At any time following the occurrence of a Put Event, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to, such Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a “**Put Exercise Notice**”), together with the Certificates evidencing the Bonds to be redeemed, by not later than 30 days following the occurrence of a Put Event or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The “**Put Settlement Date**” shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Put Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Put Event has occurred and shall not be responsible for or liable to Bondholders, the Issuer, the Subsidiary Guarantors or the Company for any loss arising from any failure to do so.

In this Condition 6(c):

a “**Change of Control Event**” occurs when:

- (i) Mr. WANG Jianlin ceases to Control the Company;
- (ii) Wanda HK ceases to be a directly or indirectly wholly-owned Subsidiary of the Company;

(iii) the Issuer ceases to be a directly or indirectly wholly-owned Subsidiary of Wanda HK; or

(iv) Wanda HK ceases to Control Wanda Commercial Properties (Group) Co., Limited.

“**Control**” means (where applicable): (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms “controlling” and “controlled” have meanings correlative to the foregoing;

“**Credit Rating**” means a credit rating from Moody’s, Fitch or S&P;

“**Fitch**” means Fitch Ratings Ltd. and its successors;

“**Moody’s**” means Moody’s Investors Services, Inc. and its successors;

a “**Put Event**” will be deemed to occur if:

(i) there is a Change of Control Event, or

(ii) there is a Rating Withdrawal Event.

“**Rating Withdrawal Event**” means at any time the Credit Ratings for the Bonds from any two of the Rating Agencies are withdrawn;

“**Rating Agency**” means any of Moody’s, Fitch or S&P or any of their respective successors and assigns; and

“**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. and its successors.

References to “**principal**” in these Conditions shall, unless the context otherwise requires, include the premium referred to in this Condition 6(c).

- (d) **Redemption at the Option of the Issuer:** On giving not less than 30 nor more than 60 days’ notice (an “**Optional Redemption Notice**”) to the Trustee and the Bondholders in accordance with Condition 16, the Issuer may at any time and from time to time redeem the Bonds, in whole but not in part, at a Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date (the “**Option Redemption Date**”) specified in the Option Redemption Notice;

In this Condition 6(d):

“**Adjusted Treasury Rate**” means, with respect to any Option Redemption Date, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date;

“**Comparable Treasury Issue**” means the U.S. Treasury security having a maturity comparable to January 29, 2024 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to January 29, 2024;

“**Comparable Treasury Price**” means, with respect to any Option Redemption Date, (1) the average of the Reference Treasury Dealer Quotations for such Option Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations;

“**Make Whole Price**” means, with respect to a Bond at any redemption date, the amount calculated by the Quotation Agent that is the greater of (1) the present value of the principal amount of the Bonds,

assuming a scheduled repayment thereof on the Maturity Date plus all required remaining scheduled interest payments due on such Bond through January 29, 2024 (but excluding accrued and unpaid interest to the Option Redemption Date), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, and (2) the principal amount of such Bonds;

“**Quotation Agent**” means the Reference Treasury Dealer selected by the Issuer (at the expense of the Issuer, failing whom the Subsidiary Guarantors) and notified in writing to the Trustee;

“**Reference Treasury Dealer**” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in New York City, selected by the Issuer in good faith; and

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any Option Redemption Date, the average as determined by the Quotation Agent, 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 such Quotation Agent by such Reference Treasury Dealer at 5:00 p.m. (New York time) on the third business day preceding such Option Redemption Date.

- (e) **Notice of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and Condition 6(d) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.
- (f) **Purchase:** The Company, the Subsidiary Guarantors, the Issuer and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Company, the Subsidiary Guarantors, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.
- (g) **Cancellation:** All Certificates representing Bonds purchased by or on behalf of the Issuer, the Company, the Subsidiary Guarantors or their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Subsidiary Guarantors in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.
- (ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in US dollars by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in US dollars maintained by the payee with a bank. In this Condition 7(a)(ii), “**business day**” means a day, other than a Saturday or Sunday, on which the Registrar is open for business in the place of its specified office.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a

Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Where payment is to be made by transfer to an account in US dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, and where payment is to be made by cheque, the cheque will be mailed, on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders.

- (e) **Delay in payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment or if a cheque mailed in accordance with Condition 7(a) (ii) arrives after the due date for payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in New York City and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in US dollars, the place on which foreign exchange transactions may be carried on in US dollars in the principal financial center of the country of such currency.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Subsidiary Guarantors in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction (as defined in Condition 6(b)) or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the relevant Subsidiary Guarantor by or within the PRC at the rate of up to and including 10 per cent. the Issuer or, as the case may be, the relevant Subsidiary Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the relevant Subsidiary Guarantor is required to make a deduction or withholding in respect of PRC tax in excess of 10 per cent., or any Hong Kong or British Virgin Islands deduction or withholding is required, in such event that the Issuer or, as the case may be, the relevant Subsidiary Guarantor shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands, Hong Kong or the PRC other than the mere holding of the Bond; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or
- (c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26—27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9 EVENTS OF DEFAULT

If any of the following events (each an “**Event of Default**”) occurs the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer and the Subsidiary Guarantors declaring that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

- (a) **Non-Payment:** there is a failure to pay (i) the principal of or any premium on any of the Bonds when due; or (ii) any interest on the Bonds within seven days after the due date for such payment or
- (b) **Breach of Other Obligations:** the Company, the Issuer or any of the Subsidiary Guarantors does not perform or comply with any one or more of its other obligations in the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Trust Deed, (other than those referred to in Condition 9(a)) which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Issuer and Wanda HK by the Trustee; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Company, the Issuer, any Subsidiary Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Company, the Issuer, any Subsidiary Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds US\$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Company, the Issuer, any Subsidiary Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 30 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company, the Issuer, any Subsidiary Guarantor or any of their respective Principal Subsidiaries over all or a material part of the assets of the Company, the Issuer, the relevant Subsidiary Guarantor or the relevant Principal Subsidiary, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged until 30 days; or
- (f) **Insolvency:** the Company, the Issuer, any Subsidiary Guarantor or any of their respective Principal Subsidiaries is (or is expected to by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Company, the Issuer, any Subsidiary Guarantor, or any of their respective Principal Subsidiaries, as the case may be; or
- (g) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Company, the Issuer, any Subsidiary Guarantor or any of their respective Principal Subsidiaries, or the Company, any Subsidiary Guarantor, the Issuer or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (A) the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) whereby the undertaking and assets of a Principal Subsidiary are transferred to or otherwise vested in the Company or any of its Subsidiaries; or (B) a solvent winding up of any Principal Subsidiary of the Company other than the Subsidiary Guarantors and the Issuer; or (C) a disposal on an arm's length basis where the assets resulting from such disposal are vested in the Company or any of its Principal Subsidiaries; or
- (h) **Authorization and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer, the Company and the Subsidiary Guarantors lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed, the Keepwell Deed (other than with regard to the performance and compliance with the obligations thereunder) and the Deed of Equity Interest Purchase Undertaking (other than with regard to the performance and compliance with the obligations thereunder), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (i) **Illegality:** it is or will become unlawful for any of the Company, the Issuer and the Subsidiary Guarantors to perform or comply with any one or more of their respective obligations under any of the Bonds or the Trust Deed, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking; or
- (j) **Unenforceability of Guarantee:** except as permitted under the Trust Deed, any part of the Guarantee is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or any Subsidiary Guarantor; or
- (k) **Keepwell Deed and Deed of Equity Interest Purchase Undertaking:** the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking is not or is claimed by the Company not to be in full force and effect, or the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking is modified, amended or terminated other than strictly in accordance with its respective terms; or
- (l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Condition 9(d) to Condition 9(g) (all inclusive).

In this Condition 9, “**Principal Subsidiary**” means any Subsidiary of the Issuer, a Subsidiary Guarantor or the Company:

- (a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose gross profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated gross assets of the Company and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Company and its Subsidiaries as being represented by the investment of the Company in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Company and after adjustment for minority interests; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first audited accounts (consolidated, if appropriate), of the Company prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Company relate, the reference to the then latest consolidated audited accounts of the Company for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available be deemed to be a reference to the then latest consolidated audited accounts of the Company adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Company or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Company;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Company; and
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Company, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Company.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the revenue (or consolidated revenue if the Subsidiary itself has subsidiaries), gross profit (or consolidated gross profit if the Subsidiary itself has subsidiaries) or gross assets (or consolidated gross assets if the Subsidiary itself has subsidiaries) attributable to such Subsidiary when aggregated with the revenue (or consolidated revenue if appropriate), gross profit (or consolidated gross profit if appropriate) or gross assets (or consolidated gross assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 9 has occurred since the Issue Date of the Bonds, exceeds 5 per cent. of the consolidated revenue, consolidated gross profit or consolidated gross assets of the Company and its Subsidiaries as shown in the latest audited financial statements.

10 PRESCRIPTION

Claims against the Issuer and/or any of the Subsidiary Guarantors for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) and (b) the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking. Such a meeting may be convened by the Issuer, the Subsidiary Guarantors or the Trustee and shall be convened by the Trustee if requested to do so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to cancel or amend the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Guarantee other than in accordance with Condition 12(b), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. 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 Bondholders.

- (b) **Modification of Agreements and Deeds:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Trustee or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed),

and any waiver or authorization of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorization or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorization or waiver shall be notified by the Issuer to the Bondholders as soon as practicable thereafter.

- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholders, nor shall any Bondholder be entitled to claim, from the Issuer or the Subsidiary Guarantors any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Company, the Issuer and/or the Subsidiary Guarantor(s) as it may think fit to enforce the terms of the Trust Deed, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Company, the Issuer and/or the Subsidiary Guarantor(s) unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Company, the Issuer, any Subsidiary Guarantor and/or any entity related (directly or indirectly) to the Company, the Issuer or any Subsidiary Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Company, the Subsidiary Guarantors and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer, the Company or the Subsidiary Guarantors to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Interest Reserve Account Agreement, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or these Conditions.

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and, in such event, such report, confirmation or certificate or advice shall be binding on the Issuer, the Company, the Subsidiary Guarantors and the Bondholders.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

16 NOTICES

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bonds shall also be published at the Issuer's expense in a leading English language daily newspaper having general circulation in Asia (which is expected to be *The Wall Street Journal Asia*). The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held on behalf of Euroclear and Clearstream any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Bonds and any obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of Hong Kong.
- (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 Bonds, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Trust Deed ("**Proceedings**") may be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each of the Issuer, the Subsidiary Guarantors and the Company has irrevocably submitted to the jurisdiction of the courts of Hong Kong.
- (c) **Agent for Service of Process:** Each of the Issuer, the Subsidiary Guarantors (other than Wanda HK) and the Company has irrevocably agreed to receive service of process at Wanda HK's principal place of business at Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong in any Proceedings in Hong Kong.

Description of the Keepwell Deed

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.

Under the Keepwell Deed, the Company will undertake with the Issuer, Wanda HK and the Trustee that it shall, directly or indirectly, own and hold all the outstanding shares of each of the Issuer and Wanda HK and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares.

In addition, the Company will undertake that it shall cause:

- each of the Issuer and Wanda HK to have a Consolidated Net Worth of at least US\$1.00 at all times;
- each of the Issuer and Wanda HK to have sufficient liquidity to ensure timely payment by each of the Issuer and Wanda HK of any amounts payable in respect of the Bonds and the Guarantee in accordance with the Trust Deed and/or the Terms and Conditions of the Bonds and otherwise under the Trust Deed and the Agency Agreement; and
- Wanda HK to have an aggregate Total Equity of at least HK\$1,000,000,000 at all times.

If the Issuer or Wanda HK at any time determines that it will have insufficient liquidity to meet its payment obligations as they fall due, then the Issuer and/or Wanda HK shall promptly notify the Company of the shortfall and the Company will make available to the Issuer or Wanda HK, before the due date of the relevant payment obligations, funds sufficient by means permitted by applicable laws and regulations to enable the Issuer or Wanda HK (as the case may be) to pay such payment obligations in full as they fall due. The Issuer or Wanda HK shall use any funds made available to it by the Company in accordance with the Keepwell Deed solely for the payment when due of such payment obligations under the Bonds, the Guarantee or the Trust Deed (as the case may be).

Under the Keepwell Deed, Wanda HK will undertake that its aggregate Total Equity will not be less than HK\$1,000,000,000 at all times.

The Keepwell Deed may be modified, amended or terminated by the written agreement of the parties thereto subject to the provisions of the Terms and Conditions of the Bonds and the Trust Deed.

For so long as the Bonds are outstanding, the Company will undertake to the Trustee in the Keepwell Deed that:

- the Company shall not create or have any Relevant Indebtedness outside the PRC unless the Company at the same time (a) provides an unsubordinated guarantee or indemnity in respect of the Bonds in form and substance satisfactory to the Trustee or (b) offers to exchange the Bonds for securities issued or guaranteed by the Company with terms substantially identical to those of the Bonds as certified by an Independent Investment Bank;
- neither the Company nor any of its Subsidiaries (other than the Hong Kong Listco and its Subsidiaries) will create or permit to subsist any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness outside the PRC without at the same time or prior thereto securing the Bonds equally and rateably therewith; and
- the Company will not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC without at the same time or prior thereto (a) according to the Bonds the same or an equivalent guarantee or indemnity or (b) offering to exchange the Bonds for securities issued or guaranteed by the Company with terms substantially identical to those of the Bonds as certified by an Independent Investment Bank.

The Company will further undertake:

- to procure that the articles of association of each of the Issuer and Wanda HK shall not be amended in a manner that is, directly or indirectly, adverse to holders of the Bonds;
- to cause each of the Issuer and Wanda HK to remain in full compliance with the Terms and Conditions of the Bonds, the Guarantee, the Trust Deed and all applicable rules and regulations in Hong Kong;
- promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed;
- to cause each of the Issuer and Wanda HK to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed; and
- to procure that the Issuer will not carry on any business activity whatsoever other than in connection with the Bonds (which activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds (the “Proceeds of the Bonds”) to any of the Subsidiary Guarantors or the Company or as any of them may direct), and to cause such recipient of the Proceeds of the Bonds to pay the interest and principal in respect of such intercompany loan on time.

Relevant Indebtedness is defined in the Keepwell Deed to mean any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans).

In the event (i) the Issuer does not provide a notice confirming it has sufficient liquidity to the Company and the Trustee no later than 30 Facility Business Days before each Interest Payment Date (the “Liquidity Notice Date”) or (ii) an Event of Default has occurred, the Company shall, subject to prevailing laws, regulations and government policies at such time and, if required, the approvals from or registration with competent PRC government authorities, as soon as practicable, among other things, grant to the Issuer a standby facility pursuant to which the Company will remit an amount in CNY sufficient to enable the Issuer (a) in the case of (i) to discharge its obligations under the Bonds and the Trust Deed which will become due on the immediate next Interest Payment Date, or in the case of (ii) to discharge its obligations under or in respect of the Bonds and the Guarantee in accordance with the Terms and Conditions of the Bonds and/or the Trust Deed and otherwise under the Trust Deed and the Agency Agreement (including, without limitation, the principal amount of the Bonds then outstanding and any interest due and unpaid and/or accrued but unpaid), and (b) cover all costs, fees and expenses and other amounts payable to the Trustee and/or Agents and/or the Account Bank under or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Deed of Equity Interest Purchase Undertaking, the Interest Reserve Account Agreement and/or the Keepwell Deed as at the date of the Liquidity Notice Date (including without limitation all foreign exchange conversion expenses) plus provisions for costs, fees and expenses and other amounts which may be incurred after the Liquidity Notice Date as notified by the Trustee.

Each of the Company and the Issuer agree and acknowledge that the terms of the standby facility shall be at arm’s length (or more favorable to the Issuer) and shall not require any security from the Issuer.

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, a guarantee by the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the Issuer or Wanda HK under the laws of any jurisdiction.

The parties to the Keepwell Deed will acknowledge that in order for each of the Issuer, the Company and Wanda HK to comply with its respective obligations under the Keepwell Deed, it may be subject to regulatory approvals, permits and filings as may be required by applicable laws.

The Keepwell Deed will be governed by and construed in accordance with Hong Kong law.

Description of the Deed of Equity Interest Purchase Undertaking

The following contains summaries of certain key provisions of the Deed of Equity Interest Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Deed of Equity Interest Purchase Undertaking.

The Company intends to assist the Issuer and the Subsidiary Guarantors in meeting their respective obligations under the Bonds and the Guarantee. Pursuant to the terms of the Deed of Equity Interest Purchase Undertaking (the “Undertaking”) entered into between the Trustee and the Company, the Company agrees to purchase, either by itself or through a PRC incorporated subsidiary of the Company (the “Designated Purchaser”), all or any equity interests upon receiving a written purchase notice (the “Purchase Notice”) from the Trustee (the “Purchase”). The equity interests comprise the interests held by the Relevant Transferor(s) (the “Equity Interest”) of a subsidiary of the Company that is held by such Relevant Transferor.

Following the occurrence of an Event of Default under the Bonds, the Trustee shall issue a Purchase Notice to the Company. Within 10 Business Days after the date of the Purchase Notice, the Company shall determine (i) the purchase price of the Equity Interest(s) subject to the Purchase (the “Purchase Price”) in accordance with any applicable PRC laws and regulations effective at the time of determination; and (ii) the other applicable terms relating to the Purchase. Provided that the Purchase Price shall be no less than the following amount (the “Shortfall Amount”):

- (i) the amount in US dollars sufficient to enable the Issuer and the Subsidiary Guarantors to discharge in full their respective obligations under the Bonds, the Guarantee and the Trust Deed (including without limitation the principal amount of the Bonds then outstanding as at the date of such Purchase Notice and any interest due and unpaid and/or accrued but unpaid on the Bonds up to but excluding the date of such Purchase Notice taking into account any amount that has been released from the Interest Reserve Account to the Trustee pursuant to the Interest Reserve Account Agreement and paid to Bondholders), plus
- (ii) an amount equal to US\$21,750,000, equivalent to the interest amount in respect of one interest period on the Bonds, plus
- (iii) all costs, fees and expenses and other amounts payable in US dollars to the Trustee and/or the Agents and/or the Account Bank under or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Interest Reserve Account Agreement and/or the Undertaking as at the date of such Purchase Notice plus provisions for fees and expenses which may be incurred after the date of the Purchase Notice, as notified by the Trustee in the Purchase Notice.

In relation to the Purchase of any Equity Interest relating to a company incorporated in the PRC held by any Relevant Transferor, the Company agrees that:

Within 15 Business Days after the date of the Purchase Notice, the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable), an equity interest transfer agreement and all other required application documents and file such agreements and/or documents with MOFCOM for approval of the transfer of the equity interest as being subject to the Purchase. Within five Business Days after the receipt of approval from MOFCOM, the Company shall submit all application documents to the competent PRC State Administration for Industry and Commerce (the “AIC”) for AIC registration of the transfer of the Equity Interest of each Relevant Transferor. As soon as reasonably practicable after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance certificate from such tax authority.

Within five Business Days after completion of the change of AIC registration and the receipt of the tax clearance certificate, the Company shall submit all required application documents to SAFE (a) to change the SAFE registration of the companies the Equity Interests in which is or (as the case may be) are subject to the Purchase and (b) for the purchase of US dollar amount of the Purchase Price and the outbound remittance of the Purchase Price. Closing shall take place on the fifth Business Day after the date of receipt of the approvals from SAFE whereupon the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in US dollars to such account in Hong Kong as may be designated by such Relevant Transferor.

In relation to the Purchase of any Equity Interest relating to a company incorporated outside the PRC held by any Relevant Transferor, the Company agrees that:

Within 15 Business Days after the date of the Purchase Notice, the Company shall (a) submit a project information report and other required documents to the NDRC or its competent local counterpart (where applicable), and (b) submit the preliminary report and other required documents for overseas mergers and acquisitions, to MOFCOM and SAFE. Within 15 Business Days after obtaining the confirmation of NDRC, MOFCOM and SAFE, the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable), an equity interest transfer agreement and all other application documents, and shall file such agreements and/or documents as required by applicable laws and regulations with NDRC, MOFCOM, SAFE and authorities of other jurisdiction in charge of the Purchase (where applicable), for approval or registration of the transfer of the Equity Interests as being the subject of the Purchase. Closing of the Purchase shall take place on the fifth Business Day after the date of receipt of the approvals or registration from NDRC, MOFCOM, SAFE and authorities of other jurisdiction in charge of the Purchase whereupon the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in US dollars to such account in Hong Kong as may be designated by such Relevant Transferor.

The Company may discharge its obligations either by itself or through the Designated Purchaser.

The Undertaking shall remain in full force and effect so long as any of the Bonds remain outstanding.

The Undertaking will be governed by and construed in accordance with Hong Kong law.

Summary of provisions relating to the Bonds while in global form

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the terms and conditions of the Bonds (the “Conditions” or “Terms and Conditions of the Bonds”) set out in this Offering Circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depository on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an “Alternative Clearing System”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Notices: So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing system, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

Meetings: For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Bonds. The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

Bondholder’s Redemption: The Bondholder’s redemption option in Condition 6(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Issuer’s Redemption: The option of the Issuer provided for in Conditions 6(b) and 6(d) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by that the Conditions except that the notice shall not be required to contain the certificate numbers of Bonds drawn for redemption in the case of a partial redemption of Bonds and accordingly no drawing of Bonds for redemption shall be required.

Transfers: Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation: Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

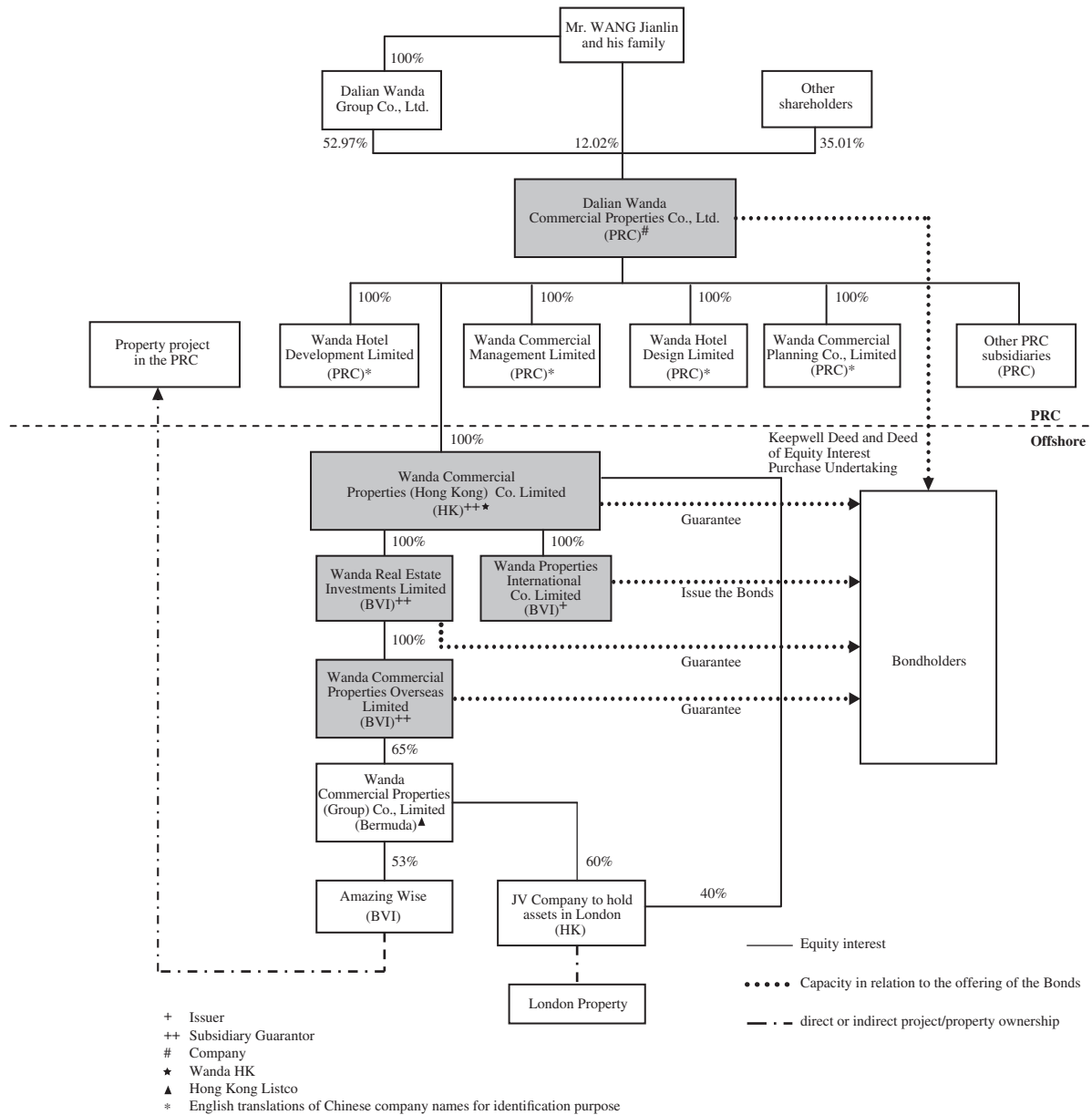
Trustee's Powers: In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Corporate structure

Our Company was incorporated with limited liability in the PRC in 2002.

We undertake our business primarily through our subsidiaries. Our interests in property development and property investment projects are primarily held through our subsidiaries in the PRC.

The following chart is a simplified organization chart showing our principal shareholders, our corporate holding structure and our significant operating subsidiaries as of the date of this Offering Circular, and indicates the Issuer and the Subsidiary Guarantors under the Bonds. We have prepared and provided this chart solely for the convenience of the reader, and the chart necessarily omits certain details of our corporate structure. For more details on our subsidiaries, see Note 41 of our financial statements for the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, which are included elsewhere in this Offering Circular. Shaded boxes indicate the Company, which is the provider of Keepwell Deed and Deed of Equity Interest Purchase Undertaking, the Subsidiary Guarantors and the Issuer of the Bonds.



Description of the Issuer

History and introduction

The Issuer was incorporated under the laws of the BVI on January 16, 2014. As of the date of this Offering Circular, it is authorized to issue a maximum of 10,000 shares of a single class each with a par value of US\$1.00 and has one share in issue. The Issuer is a wholly-owned subsidiary of Wanda HK and, as of the date of this Offering Circular, carries on and has carried on no business other than entering into arrangements for the issue of the Bonds and the lending of the net proceeds thereof to us. As of the date of this Offering Circular, the Issuer has no outstanding borrowings and has no contingent liabilities other than the issue of the Bonds. The Issuer is not required under the laws of the BVI to file, and does not propose to file, any of its interim or annual accounts. As of the date of this Offering Circular, the Issuer has no subsidiaries.

Management

The sole director of the Issuer as of the date of this Offering Circular is Mr. Ding Benxi.

The registered office of the Issuer is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The Issuer has no employees.

Description of Wanda HK

History and introduction

Wanda HK was incorporated under the laws of Hong Kong on February 6, 2013. The authorized share capital of Wanda HK is HK\$10,000 divided into 10,000 shares of HK\$1.00 each. As of the date of this Offering Circular, Wanda HK has one share in issue. Wanda HK is a direct wholly-owned subsidiary of the Company.

Wanda HK is currently the only offshore investment and financing platform for the Company. It focuses on developing overseas financing channels, identifying profitable property development and investment opportunities that are in line with its development strategy and steadily co-investing together with the Company in the commercial real estate sector.

As of the date of this Offering Circular, the key assets of Wanda HK were:

- its 65% indirect shareholding interest in the Hong Kong Listco; and
- its 40% direct equity interest in the JV Company.

Acquisition and holding of the Hong Kong Listco

As of the date of this Offering Circular, Wanda HK held an approximately 65% indirect shareholding interest in the Hong Kong Listco. The Hong Kong Listco is a company incorporated in Bermuda with limited liability and its shares are listed at the Hong Kong Stock Exchange (HKSE Stock Code: 169). Following the acquisition by Wanda HK of the Hong Kong Listco, the Hong Kong Listco changed its name from Hengli Commercial Properties (Group) Limited to Wanda Commercial Properties (Group) Co., Limited on July 15, 2013.

The Hong Kong Listco is principally engaged in property development and investment in the PRC and abroad. The Hong Kong Listco's main assets are its 50.35% indirect equity interest in Hengli City Project and its 60% direct equity interest in the JV Company. See *"The Hong Kong Listco's property project in the PRC"* and *"The Hong Kong Listco's property project in London."*

Acquisition of the Hong Kong Listco and Restructuring of the Hong Kong Listco

On June 25, 2013, Wanda HK acquired an approximately 65% indirect equity interest in the Hong Kong Listco following the completion of the acquisition (the "Acquisition") by Wanda HK of certain shares in, and convertible bonds of, the Hong Kong Listco from the then controlling shareholders of the Hong Kong Listco, namely Mr. CHEN Chang Wei ("Mr. Chen") and Ever Good Luck Limited, a company wholly owned by Mr. Chen. The consideration for the sale was approximately HK\$675 million. As part of the acquisition, all of the previous directors of the Hong Kong Listco resigned other than Mr. Chen who remains a non-executive director of the Hong Kong Listco.

Concurrently with the Acquisition, the Hong Kong Listco undertook a restructuring (the "Disposal") where it disposed of the following assets to two companies wholly owned by Mr. Chen:

- the entire shareholding interest held by the Hong Kong Listco in the following subsidiaries (together with their respective subsidiaries, the "Disposal Group"):
 - Flying Hope Investments Limited;
 - Brilliant Hope Investments Limited;
 - Sparkling Hope Investments Limited; and
 - Hengli Capital Management Limited;

where Flying Hope Investments Limited indirectly held a 100% interest in Hengli Financial Center Project (恒力•金融中心) and Hengli Prosperity Center Project (恒力•創富中心) and Sparkling Hope Investments Limited indirectly held a 70% interest in Hengli Bona Plaza Project (恒力•博納廣場);

- shareholder's loan of approximately HK\$399 million owed by the Disposal Group to the Hong Kong Listco; and
- a 47% shareholding interest in Amazing Wise Limited ("Amazing Wise"). Amazing Wise was a wholly-owned subsidiary of the Hong Kong Listco and indirectly held a 95% interest in Hengli City (恒力城).

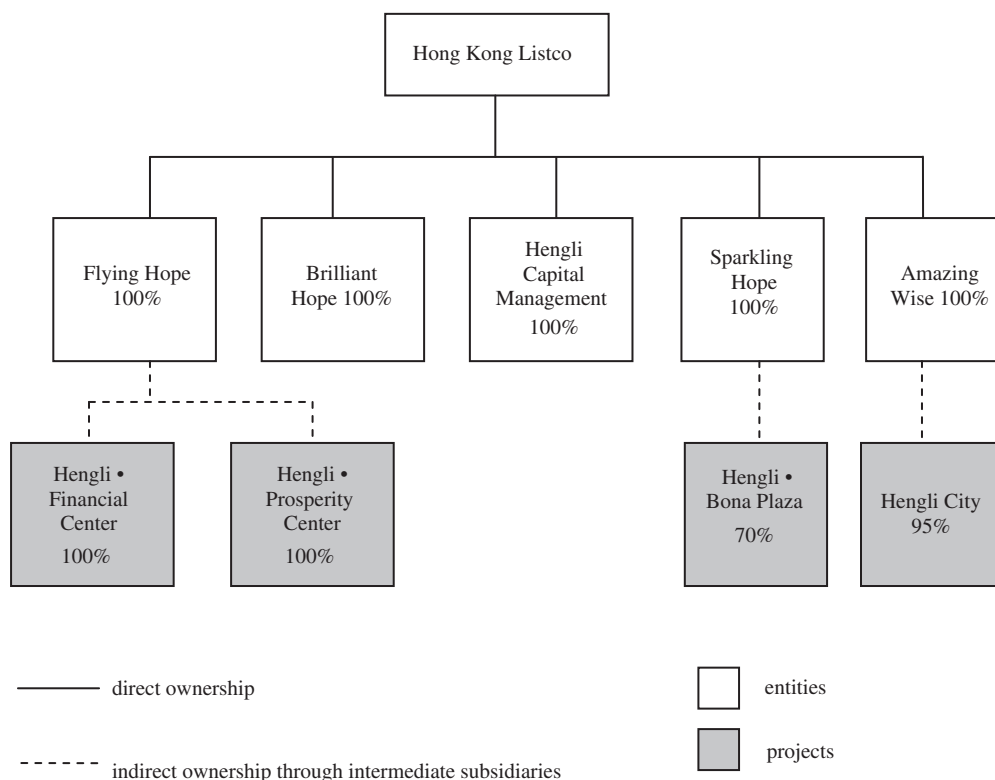
The total consideration for the Disposal was approximately HK\$1,311.5 million, which was satisfied by:

- the setting-off of the amount owed by the Hong Kong Listco to Mr. Chen as a result of the redemption by the Hong Kong Listco of outstanding convertible bonds in a principal amount of approximately HK\$1,311 million held by Mr. Chen; and
- the payment of approximately HK\$0.5 million by Mr. Chen in cash.

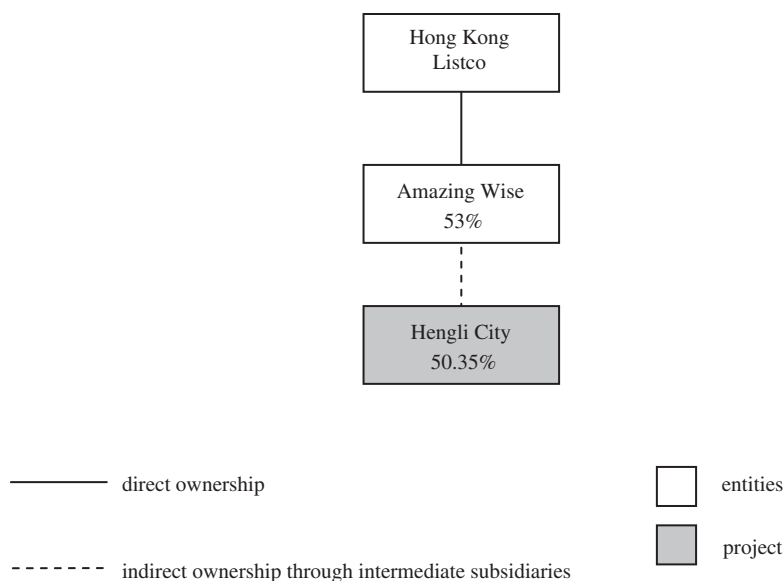
The Disposal was completed on June 25, 2013 and the Hong Kong Listco recorded a loss of approximately HK\$46 million in relation to the disposal of the Disposal Group. Immediately after the completion of the Disposal, the Hong Kong Listco's only material asset was its 53% interest in Amazing Wise, which remains a subsidiary of the Hong Kong Listco.

For details relating to the Disposal Group and the treatment of the convertible bonds as described above, please see Note 9 and Note 17 to the unaudited condensed consolidated interim financial statements of the Hong Kong Listco as at and for the six months ended June 30, 2013.

The chart below shows the structure in simplified form of the Hong Kong Listco and its subsidiaries and projects immediately before the completion of the Disposal.



Upon completion of the Disposal, the Hong Kong Listco retained an indirect 50.35% interest in Hengli City Project and Hengli City Project was the only material property development project held by the Hong Kong Listco. The chart below shows the structure in simplified form of the Hong Kong Listco and its subsidiaries and project immediately after the completion of the Disposal:



Selected financial information of the Hong Kong Listco and the Disposal Group

The following sets forth certain selected financial information of the Hong Kong Listco and the Disposal Group. The summary consolidated financial information of the Hong Kong Listco as at and for the years ended December 31, 2011 and 2012 set forth below have been derived from the Hong Kong Listco’s audited consolidated financial statements as at and for the year ended December 31, 2012, as audited by KPMG, its independent auditor, and included elsewhere in this Offering Circular.

The summary consolidated financial information of the Hong Kong Listco as at and for the six months ended June 30, 2013 have been derived from the Hong Kong Listco’s unaudited condensed consolidated interim financial statements as at and for the six months ended June 30, 2013 included elsewhere in this Offering Circular. Such unaudited condensed consolidated interim financial statements of the Hong Kong Listco have been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The financial position and results of operations of the Hong Kong Listco as at and for the six months ended June 30, 2013 are not indicative of its financial position and results of operations for the full year of 2013. Since the Disposal was completed prior to June 30, 2013, the consolidated statement of financial position of the Hong Kong Listco as at June 30, 2013 reflects the position of the Hong Kong Listco after the completion of the Disposal.

The inclusion of separate financial information of the Disposal Group for the year ended December 31, 2012 set forth below is intended to give potential investors certain information as to the extent to which the Hong Kong Listco’s results of operation was attributable to the Disposal Group. Potential investors should note that certain other adjustments are necessary in order to undertake a pro forma analysis of the Disposal (including the loss incurred by the Hong Kong Listco in connection with the sale of the Disposal Group). Accordingly, potential investors must exercise caution when using the separate historical data relating to the Hong Kong Listco and the Disposal Group to evaluate the financial condition and results of operations of each of the Hong Kong Listco and the Disposal Group.

Selected line items from the consolidated statements of financial position of the Hong Kong Listco and the combined statements of financial position of the Disposal Group

	As at December 31,		As at June 30,
	2011	2012	2013 ⁽¹⁾
	HK\$	HK\$	HK\$
	(in millions)		
HONG KONG LISTCO			
Non-current assets	1,818	2,619	2,652
Current Assets	5,397	3,555	856
Cash at bank and in hand.....	58	477	40
Non-current liabilities	2,664	1,900	790
Loans from financial institutions	338	10	—
Convertible bonds.....	1,203	1,221	226
Advance from lessee	123	—	—
Current liabilities	4,087	3,479	1,492
Loans from financial institutions	781	41	62
Loan from related parties	377	280	253
Advance from lessee	—	124	—
Total Equity	464	795	1,226
Non-controlling interests	94	128	679

	As at December 31,	
	2011	2012
	HK\$	HK\$
	(in millions)	
DISPOSAL GROUP		
Non-current assets	3	1
Current Assets	1,944	2,188
Cash and cash equivalents	4	123
Non-current liabilities	—	6
Current liabilities	1,939	2,045
Secured bank loan	308	—
Total Equity	8	137
Non-controlling interests	(0)	37

(1) Since the Disposal was completed prior to June 30, 2013, the consolidated statement of financial position of the Hong Kong Listco as at June 30, 2013 reflects the financial position of the Hong Kong Listco after the completion of the Disposal.

Selected line items from the consolidated statements of profit or loss of the Hong Kong Listco and the combined income statements of the Disposal Group

	For the years ended December 31,		For the six months ended June 30,
	2011	2012	2013
	HK\$	HK\$	HK\$
	(in millions)		
Hong Kong Listco			
Turnover from continuing operations	—	2,773	1,146
Gross Profit.....	—	378	474
Profit for the year/period.....	195	243	211

	For the years ended December 31,		For the six months ended June 30,
	2011	2012	2013
	HK\$	HK\$	HK\$
	(in millions)		
Disposal Group			
Turnover.....	—	379	876
Gross Profit ⁽¹⁾	—	182	
(Loss)/profit for the year ⁽¹⁾	(7)	87	

Note:

(1) No gross profit or profit for the year figure is available for the Disposal Group for the six months ended June 30, 2013.

Selected line items from the consolidated cash flow statements of the Hong Kong Listco and the combined cash flow statements of the Disposal Group

	For the years ended December 31,	
	2011	2012
	HK\$	HK\$
	(in millions)	
Hong Kong Listco		
Net cash generated from operating activities	23	1,421
Net cash (used in)/generated from investing activities.....	(320)	228
Net cash generated from/(used in) financing activities.....	137	(1,231)

	For the years ended December 31,	
	2011	2012
	HK\$	HK\$
	(in millions)	
Disposal Group		
Net cash (used in)/generated from operating activities.....	(624)	1,008
Net cash used in investing activities	(1)	(63)
Net cash generated from/(used in) financing activities.....	629	(826)

The audited consolidated financial statements as at and for the year ended December 31, 2012 and the unaudited condensed consolidated interim financial statements as at and for the six months ended June 30, 2013 of the Hong Kong Listco are included elsewhere in this Offering Circular.

Management

The sole director of Wanda HK as of the date of this Offering Circular is Mr. Ding Benxi.

The registered office of Wanda HK is at Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong.

Wanda HK has no employees.

The Hong Kong Listco's property project in the PRC

Hengli City Project (恆力城)

Hengli City Project is a residential, office and retail complex located in the financial district of Fuzhou, Fujian province, with a total GFA of approximately 241,600 sq.m. Hengli City Project was completed in 2012. For the year ended December 31, 2012 and the six months ended June 30, 2013, Hengli City Project generated revenue from sales of properties of approximately HK\$2,349 million and HK\$215 million, respectively and generated rental income of approximately HK\$43 million and HK\$45 million, respectively.

The key tenant of the retail commercial podium of Hengli City Project is Beijing Wangfujing Department Store (Group) Co. Ltd. (北京王府井百貨(集團)股份有限公司), which leased approximately 56,175 sq.m. in Hengli City Project with a lease term of 20 years.

The Hong Kong Listco's property project in London

On June 14, 2013, the Company entered into an acquisition agreement in relation to the acquisition of London Property from Kish Six Limited, a company incorporated in the Isle of Man, for a consideration of approximately GBP93 million (inclusive of tax expenses). The Company has paid a deposit of GBP8.88 million in respect of the acquisition. Under the terms of the acquisition agreement, the Company has the right to nominate any of its subsidiaries to be the purchaser of the London Property. As of July 31, 2013, the valuation of the London Property was approximately of GBP113,500,000. The acquisition of London Property has completed in 2013.

On September 6, 2013, the Hong Kong Listco and Wanda HK entered into the JV Shareholders Agreement, pursuant to which the Hong Kong Listco and Wanda HK agreed to establish the JV Company for the purposes of acquiring and holding the London Property.

The JV Company is a company incorporated in Hong Kong and Hong Kong Listco and Wanda HK each owns 60% and 40% of the equity interest in the JV Company.

On September 6, 2013, the Hong Kong Listco and Wanda HK also entered into a loan agreement, pursuant to which, Wanda HK will provide a loan of GBP60 million and US\$20 million to the Hong Kong Listco for the purpose of funding the Hong Kong Listco's capital commitments to the JV Company. The loan is repayable in 36 months from the date of drawdown and bears an annual interest rate equal to six months LIBOR plus 5%. The Hong Kong Listco's obligations under this loan are secured by a share charge over all shares held by the Hong Kong Listco in the JV Company.

London Property

The London Property is located at 1 Nine Elms Lane, London SW8 5NQ, United Kingdom and has a site area of approximately 8,400 square meters and its redevelopment is expected to comprise a gross floor area of approximately 105,000 square meters (in respect of which planning permission has been obtained). According to the JV Shareholders Agreement, the Company and Wanda HK agree to, through the JV Company, redevelop the London Property into a complex comprised of (i) a residential portion, which is intended to be held for sale, and (ii) hotel, office and retail portions, which are intended to be held for investment, and operate such complex by the JV Company and/or through one or more of its subsidiaries. The planning of demolition work of London Property has commenced and the demolition work is expected to start in early 2014.

The table below sets forth the proposed development scheme of the London Property:

Proposed Use	Net Saleable Area ⁽¹⁾ (sq.f.)	Gross Internal Area ⁽²⁾ (sq.f.)
Private residential	475,080	680,951
Offices	71,129	109,918
Hotel.....	97,081	112,968
Retail/leisure	12,454	21,983
Amenity space	18,902	26,133
Affordable housing	36,716	56,421
Basement	7,279	121,956
Total	718,641	1,130,330

Notes:

- (1) Net Saleable Area means the aggregate total Gross Internal Areas of each individual apartment or unit, excluding common areas, lift lobby, plant rooms and concierge areas.
- (2) Gross Internal Area means the area of a building measured to the internal face of the perimeter walls at each floor level.

Letter of Support from Wanda HK to Hong Kong Listco

On January 10, 2014, Wanda HK issued a letter to the Hong Kong Listco indicating support of its business development. Wanda HK has decided that for a period of three years with effect from January 1, 2014, Wanda HK would grant the Hong Kong Listco a right of first refusal in forming joint ventures to invest in commercial projects in Guangdong province, Guangxi province and Hainan province.

Rights Issue of Hong Kong Listco

On December 13, 2013, the Hong Kong Listco announced its proposed rights issue (the “Rights Issue”) of 856,773,210 shares (the “Rights Shares”) at a subscription price of HK\$2.88 per Rights Share. The Rights Shares are proposed to be issued on the basis of three Rights Shares for every ten existing ordinary shares of the Hong Kong Listco in issue on December 30, 2013 or such other date as may be agreed between the Hong Kong Listco and the joint underwriters of the Rights Issue. The results of the Rights Issue are expected to be announced on January 23, 2014. The dealings in the Rights Shares are expected to commence on January 27, 2014.

Wanda Commercial Properties Overseas Limited has given an irrevocable undertaking in favor of the joint underwriters of the Rights Issue and the Hong Kong Listco that it will subscribe for or procure subscriptions for 557,062,800 Rights Shares to which it will be entitled under the Rights Issue. Wanda Commercial Properties Overseas Limited’s equity interest in the Hong Kong Listco will remain 65.02% post the Rights Issue.

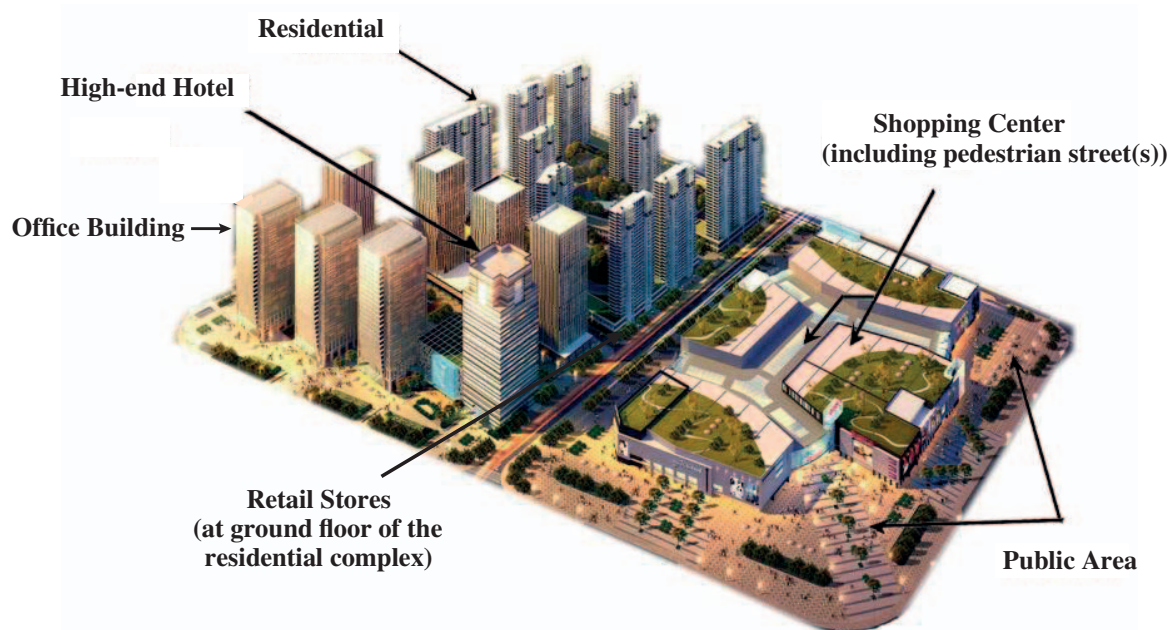
Description of the Company

Overview of the Company

We are one of the largest owners and operators of large-scale commercial mixed-use complexes and hotels in the world in terms of aggregate GFA. We are also a leading property developer in China in terms of contracted sales of both commercial and residential properties, with a large portion contributed by contracted sales of commercial properties. In 2012, our contracted sales surpassed CNY100 billion, making us one of the few property developers in China with contracted sales over CNY100 billion. We operate under the “Wanda” brand and focus on three major business segments: (i) property development and sales, (ii) leasing, operation and management of investment properties and (iii) hotel operations.

Our core product is the “Wanda Plaza,” which is a large-scale mixed-use complex comprised of office buildings, SOHO, residential apartments, shopping centers and hotels. We have been committed to our development strategy, “Wanda Plaza Is the City Center (萬達廣場就是城市中心),” since it was introduced by our predecessor in 2000. We have successfully expanded into 89 first- and second-tier and high-growth potential cities, including 50 cities where our projects are in operation and 39 cities where we have projects under development or held for future development. We have established strong brand recognition across China. We aim to continue to expand our investment property and hotel portfolio steadily and solidify our position as the largest commercial property owner and operator with a national presence in China’s key cities and strategic high growth regions. We will continue to focus on maintaining a high-quality investment portfolio, enhancing our capability of operating and managing investment properties and hotels and achieving a balanced earning profile with recurring income streams.

The following diagram illustrates the various components within a typical Wanda Plaza:



As at June 30, 2013, we held a completed investment property and hotel portfolio with an aggregate GFA of 13.6 million sq.m., including an investment property portfolio comprised of 71 Wanda Plazas commercial properties across 48 cities with an aggregate GFA of 11.9 million sq.m., and a hotel portfolio with an aggregate GFA of 1.7 million sq.m., consisting of 39 hotels, with a total of 11,891 hotel rooms across 33 cities.

In addition, as at June 30, 2013, we had 90 projects with a total GFA of 64.3 million sq.m. under development or held for future development, which comprised approximately (a) an aggregate GFA of 50.2 million sq.m. in our property development and sales segment; (b) an aggregate GFA of approximately 11.0 million sq.m. in our leasing, operation and management of investment properties segment; (c) an aggregate GFA of approximately 2.7 million sq.m. in our hotel operations segment; and (d) an aggregate GFA of approximately 0.4 million sq.m. for ancillary facilities.

The following map provides a geographical overview of our property portfolio, which includes properties for sale, investment properties and hotels as of June 30, 2013:



Note (1): Eastern China includes Shandong, Jiangsu, Anhui, Zhejiang, Shanghai, Jiangxi, Fujian and Hunan; Southern China includes Guangdong, Guangxi and Hainan; Southwestern China includes Sichuan, Chongqing, Yunnan and Guizhou; Northern China includes Beijing, Tianjin, Hebei, Inner Mongolia and Shanxi; Northeastern China includes Heilongjiang, Jilin and Liaoning; Northwestern China includes Shaanxi, Ningxia, Gansu, Qinghai, Xinjiang and Tibet; and Central China includes Hubei and Henan.

We generate revenue from our three business segments, with the majority of the revenue generated from property development and sales. For the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, our total revenue was CNY39,613 million, CNY54,041 million, CNY62,877 million and CNY33,817 million, respectively; and profits attributable to the owners of the Company was CNY17,296 million, CNY22,414 million, CNY28,752 million and CNY8,426 million, respectively.

The following table sets forth our revenue by business segments:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
	CNY (in millions)	% of total revenue	CNY (in millions)	% of total revenue	CNY (in millions)	% of total revenue	(unaudited) CNY (in millions)	(unaudited) % of total revenue	(unaudited) CNY (in millions)	(unaudited) % of total revenue
Revenue from sales of properties	36,693	92.6%	48,306	89.4%	53,778	85.5%	15,791	80.0%	28,165	83.3%
Rental income from leasing of properties, property management service income	2,153	5.4%	4,001	7.4%	6,214	9.9%	2,716	13.8%	4,056	12.0%
Revenue from hotel operations	675	1.7%	1,539	2.8%	2,739	4.4%	1,184	6.0%	1,521	4.5%
Others	92	0.3%	195	0.4%	146	0.2%	42	0.2%	75	0.2%
	<u>39,613</u>	<u>100.0%</u>	<u>54,041</u>	<u>100.0%</u>	<u>62,877</u>	<u>100.0%</u>	<u>19,733</u>	<u>100.0%</u>	<u>33,817</u>	<u>100.0%</u>

Our brand name “Wanda” is widely recognized and well-respected. The strength of our brand is evidenced by a series of awards and accolades that we have received, including:

- “Major Outstanding Commercial Property Enterprise” (商業地產主要優秀企業) in 2012 and 2013 by the Enterprise Research Institute of Development Research Centre of the State Counsel (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 the China Index Academy (中國指數研究院);
- “Most Valuable Brand in China (Top 50)” and “Most Valuable Real Estate Brand in China’s Private Sector” in July 2013 awarded by Hurun Institute (胡潤研究院);
- “2012 CIHAF (China International Real Estate & Architectural Technology Fair, one of the largest and most prestigious exhibitions in the real estate industry in China) Special Award for Leading City Operation Enterprise” (中國首席城市運營企業特別大獎) awarded by the Commercial Properties Committee of China Real Estate Association, the Shopping Center Committee of China General Chamber of Commerce and China Real Estate News; and
- “The Most Admired China Enterprises” in the category of property development (中國最受讚賞公司-房地產開發類), ranking No. 1 in 2011 and No. 2 in 2013, by Fortune Magazine.

In addition, we have won numerous industry awards for various individual property projects, including the “Guangsha Award” (廣廈獎), one of the most prestigious national awards in the PRC real estate industry. We have won 17 “Guangsha Awards” to date, making us one of the most significant recipients of the “Guangsha Award” in the PRC; in 2012 alone, seven of our property development projects received the award.

Our investment property projects have also been recognized for their operational excellence, for example, Chengdu Jinniu Wanda Plaza and Fuzhou Cangshan Wanda Plaza were awarded “Golden Commercial Property Project” (金牌商業地產項目) by China General Chamber of Commerce (中國商業聯合會) in 2012 and 2013, respectively.

Furthermore, our hotels have also been well recognized and awarded, for example, Le Méridien Chongqing, Nan’an was awarded “The Most Popular MICE Hotel of the Year” in 2011 in the Fourth Asia Hotel Forum — International Hotel Investment Summit.

Please see “Business — Recent Development” for information on our contracted sales, investment properties and hotels as at and for the year ended December 31, 2013.

Competitive strengths

We believe we possess the following competitive strengths which make us competitive in our principal businesses:

One of the largest commercial property owners and operators in the world with superior brand recognition

We are one of the largest commercial property owners and operators in the world. Our core product is “Wanda Plaza,” a mixed-use complex that comprises commercial and residential properties for sale, investment properties which we hold and operate and hotels which we hold, including hotels operated by third-party hotel management companies and ourselves. As of June 30, 2013, we held:

- 71 Wanda Plazas commercial properties completed for investment, with an aggregate GFA of 11.9 million sq.m. across 48 cities; and
- a portfolio of 39 hotels in operation, with an aggregate GFA of 1.7 million sq.m. and a total of 11,891 hotel rooms across 33 cities.

In addition to the completed commercial property and hotels held for investment, as of June 30, 2013, we had a strong property development pipeline to open 58 new Wanda Plazas, which will enable us to expand our operations to at least 89 cities upon completion of the new Wanda Plazas, in order to further benefit from the continuing urbanization and economic growth in China while diversifying our geographic footprint.

With regard to our property sales activities, we were ranked among the top ten real estate developers in China in terms of contracted sales and contracted GFA in 2010, 2011 and 2012 by China Real Estate Appraisal (中國房地產測評中心) and China Real Estate Information Corporation (中國房產信息集團). In 2012, we were one of the few property developers in China with contracted sales over CNY100 billion.

Our extensive land reserve is strategically spread across China, which enables us to minimize our exposure to risks related to regional differences in economic development as well as cyclical market fluctuations. As of June 30, 2013, the aggregate GFA of the projects under development or held for future development was approximately 64.3 million sq.m., of which Eastern China, Northeastern China, Southwestern China, Northern China, Central China, Southern China and Northwestern China represented approximately 28.8%, 27.0%, 13.7%, 10.3%, 9.2%, 6.2% and 4.8%, respectively. As of June 30, 2013, 78.0%, 17.2%, 4.2% and 0.6% of the GFA for our projects under development or held for future development was earmarked, respectively, for (a) our property development and sales segment, (b) our leasing, operation and management of investment properties segment, (c) our hotel operations segment; and (d) ancillary facilities, which we believe will make us more resilient to any adverse real estate sector policy risk and further increase and stabilize our recurring income from leasing, operation and management of investment properties and hotel operations.

Our strong brand reputation has been widely recognized, evidenced by a series of awards and accolades that we have received since our establishment, including:

- “Major Outstanding Commercial Property Enterprise” (商業地產主要優秀企業) in 2012 and 2013 by the Enterprise Research Institute of Development Research Centre of the State Counsel (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 the China Index Academy (中國指數研究院);
- “Most Valuable Brand in China (Top 50)” and “Most Valuable Real Estate Brand in China’s Private Sector” in July 2013 awarded by Hurun Institute (胡潤研究院);
- “2012 CIHAF (China International Real Estate & Architectural Technology Fair, one of the largest and most prestigious exhibitions in the real estate industry in China) Special Award for Leading City Operation Enterprise” (中國首席城市運營企業特別大獎) awarded by the Commercial Properties Committee of China Real Estate Association, the Shopping Center Committee of China General Chamber of Commerce and China Real Estate News; and
- “The Most Admired China Enterprises” in the category of property development (中國最受讚賞公司-房地產開發類), ranking No. 1 in 2011 and No. 2 in 2013, by Fortune Magazine.

In addition, we have won numerous industry awards for various individual property projects, such as:

- “Guangsha Award” (廣廈獎), one of the most prestigious national awards in the real estate industry, that was awarded to seven of our development projects in 2012. We have won 17 “Guangsha Awards” to date, making us one of the most significant recipients of “Guangsha Award” in the PRC;
- “Golden Commercial Property Project” (金牌商業地產項目) awarded to our Chengdu Jinniu Wanda Plaza and Fuzhou Cangshan Wanda Plaza by China General Chamber of Commerce (中國商業聯合會) in 2012 and 2013; and
- “The Most Popular MICE Hotel of the Year” awarded to Le Méridien Chongqing, Nan’an in the Fourth Asia Hotel Forum — International Hotel Investment Summit 2011.

A large-scale and high-quality investment property and hotel portfolio

We believe we are the largest investment property and hotel owner and operator in China with a nationwide presence in terms of aggregate GFA. We believe our large-scale, high-quality investment property and hotel portfolio enhances the sustainability of our recurring revenues and creates value.

As of June 30, 2013, we had a total GFA of 11.9 million sq.m. of completed investment properties and a total of 11.0 million sq.m. of investment properties under development or held for future development. For the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, our revenue from investment properties (including rental income and property management and related services) was CNY2,153 million, CNY4,001 million, CNY6,214 million and CNY4,056 million, respectively, accounting for 5.4%, 7.4%, 9.9% and 12.0% of our total revenue for the corresponding periods. Our revenue from investment properties

increased at a CAGR of 69.9% from 2010 to 2012, surpassing the growth rate of our total revenue during the corresponding periods. In addition, as a result of our active tenant management process as well as our proactive approach of pre-leasing our investment properties to anchor tenants prior to commencement of construction and customizing store designs based on their needs, we have consistently achieved close to 100% occupancy rate across our investment property portfolio. The terms of our leases with anchor tenants generally exceed ten years, which benefits our average lease maturity profile and reduces near-term renewal risks. In addition, we believe the rental rates of commercial property in China offer high growth potential driven by continuing urbanization, which will in turn increase our recurring rental income from our existing and future investment properties and offer appreciation potential for our investment properties.

We have built a high-quality and diverse tenant pool of over 1,900 domestic and international brands with whom we enjoy long standing relationships. Our tenants include globally recognized names such as H&M, UNIQLO, ZARA and Wal-Mart. We believe the scale and high-quality of our Wanda Plazas and their tenants enable us to attract a significant amount of consumer traffic. During the first half of 2013, we estimate that we had an average daily traffic of over 50,000 people per Wanda Plaza in most of our Wanda Plazas. In addition, we host the “Wanda Group Annual Commercial Convention”, which is one of the largest and most influential business conventions in China. It enables us to strengthen our relationships with international and domestic tenants and brand partners. We believe that our ability to attract high-quality tenants across a wide spectrum of industries not only enhances the attractiveness of our projects but also provides us with a competitive advantage when tendering for new sites since local governments typically prefer developers that can demonstrate a track record of introducing prominent tenants and brands to the area.

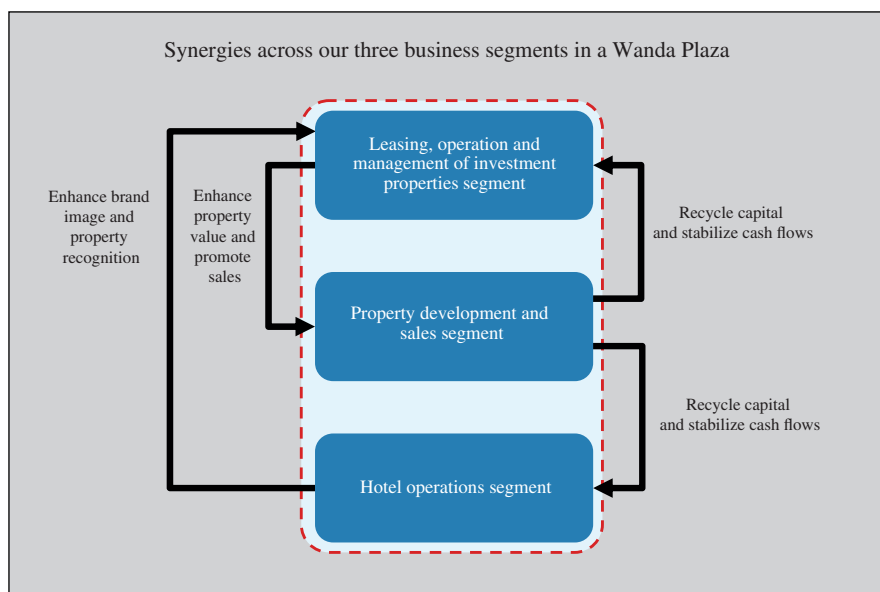
As of June 30, 2013, we held a portfolio of 39 hotels under operation with a total of 11,891 hotel rooms across 33 cities. As of June 30, 2013, we had additional GFA of 2.7 million sq.m. under development or held for future development for hotel operations and a strong pipeline to open 62 new hotels. We anticipate that these new hotels will further increase our recurring income. A significant portion of our hotel portfolio is managed by international hotel management groups, including Starwood, Hyatt, InterContinental, Accor and Hilton. In 2012, we launched our own hotel brands which are managed by a specialized and dedicated in-house team. We have enhanced our hotel service quality and brand recognition among domestic and international customers through leveraging the expertise of top-tier hotel management companies and our specialized and dedicated in-house team and the initiation of our own hotel brands. For the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, our revenue from hotels was CNY675 million, CNY1,539 million, CNY2,739 million and CNY1,521 million, respectively, accounting for 1.7%, 2.8%, 4.4% and 4.5% of our total revenue for the corresponding periods.

We believe that, as a result of our continued focus on investment properties and hotels, we have been able to broaden our revenue sources, strengthen our recurring income streams and improve our overall financial condition and results of operations. In addition, as we hold a large-scale investment property and hotel portfolio, which generates stable recurring income, we believe we face less pressure to replenish our land reserves in order to support future growth.

Unique business model that maximizes investment returns, improves operating cash flow, enhances our financial stability and minimizes policy risks, and a strong parentage whose other business lines complement and have strong synergies with our Company

We have a unique business model which has enabled us to maximize our investment returns, improve our operating cash flow, enhance our financial stability and minimize the effects of policy risks. Our unique business model involves integration of our residential and commercial properties’ development and sales activities, and our investment properties’ and hotels’ operation and management activities, into a mixed-use complex that enhances the attractiveness and value of our complex and its surrounding area. This business model allows us to recycle capital effectively: our development and sales activities generate cash flows which support our capital needs for completing existing commercial and residential properties’ developments and developing new investment properties and hotels while being able to maintain balanced operating cash flow. Our investment properties and hotels not only have intrinsic value and enhance the popularity of the urban complex, but also increase the selling price of our related commercial and residential properties and provide stable recurring income.

The diagram below illustrates the synergies among our three major business segments generated from our unique business model:



We develop and sell a variety of commercial and residential property products. Our commercial property products mainly include retail spaces, office spaces and SOHO. For the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, contracted sales of commercial properties represented 58.4%, 64.2%, 68.9%, and 63.0% of total contracted sales for the corresponding period. In addition to our commercial product offerings, we also develop and sell residential property products, including high-rise and mid-rise apartments, mainly targeting first-time home buyers and up-graders. Our focus on these particular segments has enhanced our resilience against market fluctuations caused by PRC real estate policies, especially those targeting high-end and luxury segments and multiple-home ownership. In addition, we believe that the attractiveness of our mixed-use complex projects, see “— *Leasing, operation and management of investment properties — Overview of investment properties,*” and our proven track record provide us with a competitive advantage when tendering for new sites since local governments typically prefer developers that can demonstrate a track record of introducing prominent tenants and brands to the area. Furthermore, because commercial properties generally demand higher average selling prices than residential properties, we are able to benefit from higher gross margins than competitors solely operating in the residential property segment. For the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013, our gross margin for property sales was 46.6%, 45.4%, 48.4% and 40.2%, respectively. We believe that our focus on non-residential properties enables us to benefit from the favorable macro-economic environment for the commercial property industry across China, including accelerating urbanization, continued economic growth and significant demand growth.

In addition to the development and sales of commercial and residential properties, we own and operate a large-scale and high-quality investment property and hotel portfolio, see “— *A large-scale and high-quality investment property and hotel portfolio,*” which we believe will continue to provide us with greater recurring income stability and a stable operating cash flow.

We also benefit from synergies generated from the various business lines of, or affiliated to, our parent company Wanda Group. Wanda Group’s culture and tourism business line, as well as the department stores (“Wanda Department Stores”) which are indirectly held by Mr. WANG Jianlin, the chairman of Wanda Group, are usually located within or in close proximity of Wanda Plazas to optimize the integrated value chain. We have entered into long-term framework agreements with Wanda Group’s cinema line, Wanda Cinema, and its entertainment chain, Superstar, and Wanda Department Stores, which provide that Wanda Cinema, Superstar and Wanda Department Store will lease retail space within our Wanda Plazas. Wanda Group’s cinema lines and entertainment chains and Wanda Department Stores have become essential elements and anchor tenants of many of our Wanda Plazas and have been contributing to our recurring rental income. In addition, by having these anchor tenants, Wanda Plaza and Wanda City provide consumers with a one-stop entertainment, leisure, shopping, living and working experience, which enhances our tenants’ sales performance and the consumers’ recognition of Wanda brand and increases the value of our properties in general. Wanda Group’s recent expansion into the travel service industry could also strengthen the sales and marketing activities for our hotel operations. The significant synergies among Wanda Group’s culture and tourism business line, Wanda Department Stores, and our residential and commercial properties and hotels solidifies our leading positions across all segments.

Proven execution capability supported by a standardized development and management model of our commercial properties

We utilize a standardized development and management model of our commercial properties to effectively monitor the overall development timing, cost and quality of our Wanda Plazas and manage the operation and performance of our investment properties. This allows us to quickly replicate our success in new Wanda Plazas within our established time frame.

When developing a new Wanda Plaza, we follow a standardized commercial property development model. For example, the main structure and components of our Wanda Plaza complexes are designed based on our internal standards by a central in-house department. The standardized design of the main structure and components of a Wanda Plaza significantly reduces our time cost when replicating a new Wanda Plaza. In addition, this same in-house department is able to, in a centralized way, efficiently adjust and refine the standards of Wanda Plaza's main structure and components based on its past experience and ensure the design of Wanda Plaza is not only of high-quality but also flexible to accommodate evolving market trends.

Our standardized commercial property development model also entails a standardized commercial property development schedule for our projects, including hotels, covers the full spectrum of our twelve development stages, namely, (1) project planning, (2) land acquisition, (3) land delivery, (4) obtaining required certificates, (5) project designing, (6) inviting contractors' bids, (7) construction, (8) tenant and purchaser sourcing, (9) sales and leasing, (10) inspection, (11) delivery and (12) operation. Our standardized commercial property development schedule generally contains over 300 deliverables which are further classified, in terms of its importance, into approximately 60 first-tier deliverables, approximately 90 second-tier deliverables and approximately 190 third-tier deliverables. Each deliverable has a pre-set commencement and completion time. Whenever a deliverable is not completed on time, a warning will be sent to the responsible department as well as the senior management, and immediate actions will be taken to rectify the problem to ensure the next deliverable can be completed within our established time frame. Through managing each deliverable, we are able to ensure that each development stage will be completed on time, thus effectively reducing our operational and execution risks. In addition, our modularized internal management system is connected to our human resources system, and a delay in completion of a deliverable will directly impact the compensation of the direct responsible person and his/her supervisors. By aligning the interests of our employees with the interests of our Group, we are able to maintain our strong execution capabilities and ensure timely completion of our strategic goals.

Moreover, according to our standardized commercial property development process, we plan financing of each project in accordance to the development schedule. Typically, we commence our financing plan within about 14 days after our land acquisition. We are usually able to complete land delivery, obtain the relevant land and construction certificates within approximately 60 days of our land acquisition, and we are usually able to draw down construction loans within approximately 90 days of our land acquisition. We will then commence construction of the Wanda Plaza. Within six months of acquiring the land, we will begin pre-sale of our properties from which we will start receiving cash to partially support our existing development projects. We will normally complete the construction of the shopping center in a Wanda Plaza within 22 months after the land acquisition at which time we will seek preliminary terms from the banks regarding permanent financing. Upon our official opening, we typically seek to replace the construction loan with permanent financing, typically with a tenor of around ten years, to support continuing operations.

Furthermore, we follow a standardized commercial property management model in leasing, operating and managing our shopping centers. We enjoy long standing relationships with our anchor tenants and are able to enter into tenancy agreements to pre-lease retail units to them prior to commencing construction of the shopping center in a Wanda Plaza. We customize store designs based on our anchor tenants' needs and then apply such pre-agreed designs when constructing the Wanda Plaza so as to reduce the time required by the anchor tenants to modify and renovate their stores. Based on our standardized development and construction time frame, the majority of our Wanda Plazas will have completed tenant-sourcing at least three months prior to their official opening, which ensures close to 100% occupancy rate of a Wanda Plaza upon its official opening and maximizes rental income for newly opened Wanda Plazas. In addition, we have built a high-quality and diverse tenant pool of over 1,900 brands, which are classified into three categories, namely, anchor tenants who lease over 1,500 sq.m. of gross leasable area, anchor tenants who lease between 1,000 sq.m. to 1,500 sq.m. of gross lease area, and other tenants. We generally select and invite tenants from our broad tenant pool based on the overall market positioning of a particular Wanda Plaza. Furthermore, we will generally commence the lease renewal negotiation process six to eight months prior to a tenant's lease expiry. To ensure the attractiveness and the highest return from our shopping

centers, we will assess the tenant's past sales performance and review whether the nature of its business fits into the overall strategy of the Wanda Plaza that this tenant is situated. Based on the results of our assessment, we will either renew the existing lease at a market comparable rental rate or commence pre-leasing negotiation with potential tenants.

In addition, we have highly sophisticated and modularized IT systems that were tailored to us in monitoring and managing every aspect of our business operations, including sales and marketing, cost control, financing and others in a standardized way. In order to protect the competitive advantages that we obtain from our highly sophisticated IT systems, we have acquired copyrights for our core IT systems. In 2012, we were awarded the "Top Ten National Outstanding IT Brands of Electronic Government (全國電子政務十大傑出IT品牌)" award in a conference guided by National Leading Group Office of Open Government (全國政務公開領導小組辦公室) and the Informatization Promotion Division of Ministry of Industry and Information Technology (工業和信息化部信息化推進司).

Prudent financial management and diversified financing channels

We control operational risk and maintain financial health with our stringent risk control practices and sound financial management systems. For example, major financial decisions, including major capital expenditures, disposals, entering into material contracts and others, remain at the Company's senior management level. We use a strict centralized budget management system to assess and evaluate the budget implementation of all subsidiaries and departments periodically. In addition, we place cash flow management as our key focus in the daily operations and management. We actively monitor key financial ratios and repayment of debt through a prudent liability management system in order to maintain a healthy leverage level.

Benefiting from our prudent financial policy, we have been able to maintain healthy credit ratios and sufficient liquidity and optimize our debt maturity profile during our business expansions. At June 30, 2013, our long-term borrowings with maturity in excess of one year represented approximately 87% of our total borrowings. We have long standing business relationships with most of the major commercial banks in China, including Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China and China Construction Bank, and are usually able to secure financing in time.

We have been actively maintaining sustainable access to diversified domestic and overseas financing channels, such as bank loans and trust financing, to optimize our capital structure and increase overall liquidity. For example, we have acquired a controlling stake in the Hong Kong Listco on June 25, 2013, which we believe will enhance our abilities to secure offshore financing.

Experienced management and personnel and a robust corporate governance framework

Our directors and senior management team are highly experienced in real estate development, finance and management in the PRC. We believe that our success is largely attributable to our stable and experienced senior management members, many of whom have over ten years of experience with us. Our directors and senior management are actively involved in the development of our unique business model and are some of the top professionals in the commercial property industry in the PRC. We have implemented certain incentive schemes to align our management members' and the Company's interest.

We are committed to high standards of corporate governance. Three of our nine board members are Independent Directors who have previously acted as independent directors for other listed-companies. We have set up a nomination committee, an audit committee and a remuneration committee that are led by these experienced Independent Directors in order to further enhance our corporate governance. Our board of directors also holds meetings regularly to review corporate governance issues.

We have adopted a comprehensive human resources strategy that aims at attracting talent both domestically and internationally and retaining and developing a sufficiently large and qualified workforce to support our long-term growth. Our proactive human resources policy includes a talent retention program that incentivizes our employees through attractive compensation, a generous employee benefit policy, and performance linked incentive schemes. In addition, our proactive human resources policy contains continuing training programs that are provided through our "Wanda Institute," which is one of the largest corporate academies in China and aims to cultivate employee potential, improve employee relationship and to retain and develop high-quality workforce. As a result, we are able to uphold our corporate culture that promotes innovation, integrity, strong execution capacity and responsibility, while continuing to foster industry leading talent.

STRATEGIES

We intend to achieve our overall business objectives by pursuing the following strategies:

Continue to expand our investment property and hotel operation business segments

Although we expect that proceeds from sale of property will continue to account for the largest proportion of our revenue, we plan to strengthen our leading position in the PRC commercial property industry and to expand our investment property and hotel portfolio to increase our recurring income. Since the commercial property industry is not yet as mature as the residential real estate industry in China, we would like to secure our first-mover advantage and successfully expand to more cities. Our in-house land acquisition team is actively seeking potential opportunities in new cities for our Wanda Plazas and Wanda Cities, for example, we have 58 Wanda Plazas and four Wanda Cities in various development stages in strategic locations across China as of June 30, 2013. We believe this will increase the barriers to entry of other commercial property owners and operators and enhance our competitiveness in local markets. In addition, we believe commercial property rental rates in China have high growth potential, which will in turn increase our recurring rental income from our existing and future investment properties. Also, we believe that our expansion in hotel operations aligns with the market demand in up-scale or above hotels in second- and third- tier cities in China. In the longer term, we expect our investment properties and hotels to account for a higher percentage of our overall revenue. We believe our strategy of expanding our investment property and hotel operations will provide us with long-term and stable recurring income, balance our property portfolio, reduce the pressure of replenishing our land reserves, and strengthen our resilience against market and policy volatilities.

Continue to expand our property development and operations in strategic locations at a competitive cost to further solidify our leading position

Building on our success in developing and operating 71 Wanda Plazas in China, we will continue to steadily expand our property development and operation in China's major cities and popular vacation destinations. We will continue to selectively acquire project sites in strategic locations at competitive cost based on our internal site selection criteria. For example, our ideal project site would have a resident population of around 300,000 within a five-kilometer radius. For more information on our site selection criteria, see “— *Property Development and Sales — Property Development Process — Site Selection and Market Research.*” To take advantage of our nationwide Wanda Plazas' network and the opportunities brought about by rapid urbanization trends, the growth of emerging cities, increasing household purchasing power of ordinary households, as well as macroeconomic policy of stimulating domestic demand, we aim to further expand our market share in core cities where we already have a presence and solidify our leading position in the commercial property industry in China.

Continue to focus on maintaining a high-quality investment portfolio and enhancing our operation and management capabilities

We believe providing our tenants and customers with high-quality products and experience is core to our continued success. We intend to continue to focus on developing projects with high construction and design quality in order to enhance our tenants' and the customers' overall satisfaction and thus reinforce the association of the Wanda brand with reliability, quality and innovative design. In addition, we intend to continue to enhance our property operation and management capabilities so as to optimize our tenants' and customers' overall experience in Wanda Plazas. For example, we provide inventory management systems to our tenants if needed. We strive to offer customers a great mixture of retail shops with an increasing portion of retail shops providing experiential products and services. We are also providing more value-added services and tools to our customers, such as online movie ticket booking and a Wanda consumer card that can be used in all Wanda Department Stores nationwide. We established a business management enterprise (“Wanda Business Management”) in 2007, which employs top talent specializing in shopping center management, commercial property management, electromechanical equipment management and safety management. 2013 is our “year of management,” and we are studying more innovative management methods and will continue to place more emphasis on operation and management moving forward. Furthermore, we believe that maintaining a high-quality investment portfolio and emphasizing our operation and management capabilities enhance not only the Wanda brand but also our anchor tenants' brand, which will in turn support our rental level and profitability.

Continue to attract, retain and develop a talented workforce

We believe that recruiting, retaining and developing a talented workforce is critical to our continued success. We aim to continue to attract and retain top talent, especially those specialized in operating and managing investment properties and hotels, through various initiatives in order to support our growth and expansion. We have a long-term human resources development plan which offers long-term talent development and performance-linked incentive schemes for our employees. In addition, our proactive human resource system contains a well-established training program. For example, we offer a comprehensive training system through our “Wanda Institute” which covers management, existing employees and new employees and caters to meet their different needs of trainings. Also, Wanda Business Management has published a set of business management textbooks for our internal training and reference purposes. We believe that, with the incentive initiatives and our training program, we can continue to attract, retain and develop a high-quality workforce and align the interests of our workforce with ours.

History and development

The Company is the sole commercial property platform of its parent company Wanda Group. Wanda Group is a diversified conglomerate with businesses in real estate, culture, tourism and retail, among which the Wanda Department Stores are indirectly held by Mr. WANG Jianlin, the chairman of Wanda Group. Wanda Group’s culture and tourism business line includes cinema, film and television productions, stage performing arts, film technology and entertainment, theme parks, entertainment chain, newspapers and media. The following summary sets forth certain important milestones in Wanda Group’s and our corporate histories:

Year	Key Events
1988	<ul style="list-style-type: none">• The predecessor of Wanda Group was founded, originally focused on development and sale of residential properties
1998	<ul style="list-style-type: none">• Wanda Group commenced national expansion
2000	<ul style="list-style-type: none">• First generation of Wanda Plaza was launched, which consists of a standalone shopping center
2002	<ul style="list-style-type: none">• The Company was founded
2003	<ul style="list-style-type: none">• The second generation of Wanda Plaza was launched, which consists of a complex of retail stores
2005	<ul style="list-style-type: none">• Wanda Cinema Line was founded• The Company expanded into development and operation of hotels• The Company formed a dedicated in-house hotel management department to liaise with third-party hotel management companies in managing the hotels held by the Company• The third generation of Wanda Plaza was launched, which is a large-scale mixed-use complex comprised of office buildings, SOHO, residential apartments, shopping centers and hotels
2007	<ul style="list-style-type: none">• Wanda Department Store Ltd. was founded to operate Wanda Department Stores
2009	<ul style="list-style-type: none">• Wanda Group expanded into the cultural and tourism sector
2012	<ul style="list-style-type: none">• Wanda Group acquired AMC, one of the world’s largest cinema lines• The Company opened six self-operated hotels under its own brands• The Company’s dedicated in-house hotel management department began managing hotels under its own brands
2013	<ul style="list-style-type: none">• Wanda HK was established as the only offshore investment and financing platform of the Company• The Company acquired an approximately 65% equity interest in of Hengli Commercial Properties (Group) Limited (later renamed as Wanda Commercial Properties (Group) Co., Limited), a Hong Kong Stock Exchange listed company• The Company launched “Wanda City” projects

Our principal business activities

We broadly classify our business activities into the following three business segments:

- development and sales of commercial and residential properties (“property development and sales”);
- development, ownership and management of investment properties (“leasing, operation and management of investment properties”); and
- development, ownership and management of hotels (“hotel operations”).

The following tables set out a summary of our projects under development or held for future development as at June 30, 2013. It should be noted that project names used in this Offering Circular are names we have used, or intend to use, for marketing purpose of our properties. Some of the project names require approval by the relevant authorities, and the relevant authorities may not accept the names we have used or those that we intend to use as the registered names of these projects. As a result, the actual names registered with the relevant authorities may be different from the names used in this Offering Circular and may be subject to change.

Project Name	Construction commencement date	Estimated completion date	Interest attributable to us ⁽¹⁾ (%)	Location	Site area ('000 sq.m.)	GFA under development or held for future development ('000 sq.m.)	GFA for sale (including pre-sold properties pending delivery and properties held for sale) ('000 sq.m.)					GFA for future investment properties ('000 sq.m.)	Others (e.g. ancillary structures)	GFA for future hotel operations ('000 sq.m.)	Others ('000 sq.m.)		
							Residential	SOHO	Office	Commercial	Others					Retail	Office
Eastern China																	
Huai'an Wanda Plaza* (淮安萬達廣場)	12/2008	05/2014	100.0%	Huai'an, Jiangsu	180.90	115.03	21.73	0.15	31.30	2.02	55.88	—	—	—	3.90		
Jinan Weijiazhuang Wanda Plaza* (濟南魏家莊萬達廣場)	04/2009	08/2013	100.0%	Jinan, Shandong	214.90	317.28	29.19	—	2.32	19.86	245.40	—	—	—	20.50		
Taizhou Wanda Plaza* (泰州萬達廣場)	07/2010	08/2013	100.0%	Taizhou, Jiangsu	114.80	48.58	3.00	—	—	15.34	29.40	—	—	—	0.80		
Changsha Karfu Wanda Plaza* (長沙開福萬達廣場)	12/2010	12/2014	100.0%	Changsha, Hunan	121.80	955.07	214.90	—	361.50	28.42	65.95	211.90	66.00	—	6.40		
Jinjiang Wanda Plaza* (晉江萬達廣場)	12/2010	07/2014	100.0%	Jinjiang, Fujian	170.70	623.70	378.10	—	96.00	6.40	137.70	—	—	—	5.50		
Nanchang Hongguan Wanda Plaza* (南昌紅谷灘萬達廣場)	01/2011	05/2014	100.0%	Nanchang, Jiangxi	109.10	233.60	—	—	141.00	5.30	8.10	—	36.50	—	1.10		
Ningde Wanda Plaza* (寧德萬達廣場)	01/2011	08/2013	100.0%	Ningde, Fujian	151.60	161.35	86.90	—	—	21.95	48.20	—	—	—	2.60		
Wuxi Jiangyin Wanda Plaza* (無錫江陰萬達廣場)	01/2011	12/2013	100.0%	Wuxi, Jiangsu	121.50	346.20	0.90	52.00	—	39.60	57.10	194.20	—	—	2.40		
Wenzhou Longwan Wanda Plaza* (溫州龍灣萬達廣場)	02/2011	12/2014	100.0%	Wenzhou, Zhejiang	112.30	143.90	—	—	105.80	37.00	—	—	—	—	0.50		
Zhangzhou Bihu Wanda Plaza* (漳州碧湖萬達廣場)	02/2011	12/2013	100.0%	Zhangzhou, Fujian	143.90	567.70	293.00	58.00	90.50	37.70	84.10	—	—	—	2.90		
Qingdao Licang Wanda Plaza* (青島李滄萬達廣場)	03/2011	04/2014	100.0%	Qingdao, Shandong	142.90	367.20	261.30	—	—	27.80	70.90	—	—	—	6.90		
Wuhu Jinghu Wanda Plaza* (蕪湖鏡湖萬達廣場)	03/2011	09/2013	100.0%	Wuhu, Anhui	42.50	370.30	—	209.30	35.00	50.70	8.10	—	27.40	—	37.10		
Suzhou Taicang Wanda Plaza* (蘇州太倉萬達廣場)	04/2011	07/2013	100.0%	Suzhou, Jiangsu	107.50	316.70	139.10	—	58.10	45.70	71.30	—	—	—	2.40		
Yixing Wanda Plaza* (宜興萬達廣場)	05/2011	03/2014	90.3%	Yixing, Jiangsu	120.80	235.90	108.00	—	62.20	55.80	7.80	—	—	—	1.60		
Putian Wanda Plaza* (莆田萬達廣場)	06/2011	12/2013	100.0%	Putian, Fujian	93.10	312.50	148.50	84.70	—	31.00	43.70	—	—	—	4.60		
Wuxi Huishan Wanda Plaza* (無錫惠山萬達廣場)	06/2011	08/2013	100.0%	Wuxi, Jiangsu	80.10	189.40	51.30	91.70	—	37.00	8.50	—	—	—	0.90		

Project Name	Construction commencement date	Estimated completion date	Interest attributable to us ⁽¹⁾ (%)	Location	Site area ('000 sq.m.)	GFA under development or held for future development ('000 sq.m.)	GFA for sale (including pre-sold properties pending delivery and properties held for sale) ('000 sq.m.)					GFA for future investment properties ('000 sq.m.)	Others (e.g. ancillary structures)	GFA for future hotel operations ('000 sq.m.)	Others ('000 sq.m.)		
							Residential	SOHO	Office	Commercial	Others					Retail	Office
Quanzhou Puxi Wanda Plaza* (泉州浦西萬達廣場)	09/2011	08/2015	100.0%	Quanzhou, Fujian	183.40	668.00	346.60	—	147.20	28.00	138.50	—	—	—	7.10		
Bengbu Wanda Plaza* (蚌埠萬達廣場)	01/2012	02/2014	100.0%	Bengbu, Anhui	118.20	619.20	250.10	58.00	—	61.50	68.80	179.40	—	—	1.40		
Xuzhou Wanda Plaza* (徐州萬達廣場)	02/2012	04/2014	100.0%	Xuzhou, Jiangsu	128.40	470.80	81.30	85.90	38.40	51.20	20.00	192.00	—	—	2.00		
Nanjing Jiangning Wanda Plaza* (南京江甯萬達廣場)	02/2012	12/2014	100.0%	Nanjing, Jiangsu	101.10	528.50	70.90	107.00	46.60	44.00	21.00	195.50	—	—	1.90		
Weifang Wanda Plaza* (濰坊萬達廣場)	04/2012	06/2014	100.0%	Weifang, Shandong	109.00	573.70	174.30	—	77.00	58.50	65.00	160.00	—	—	2.10		
Shanghai Songjiang Wanda Plaza* (上海松江萬達廣場)	04/2012	07/2014	100.0%	Shanghai	92.70	318.90	—	79.90	—	41.60	8.20	188.00	—	—	1.20		
Ningbo Yuyao Wanda Plaza* (寧波余姚萬達廣場)	05/2012	03/2014	100.0%	Ningbo, Zhejiang	114.50	356.40	93.80	—	12.60	32.30	41.80	174.30	—	—	1.60		
Nanchang Wanda City* (南昌萬達城)	08/2012	10/2019	70.0%	Nanchang, Jiangxi	669.90	1,396.00	865.00	279.80	—	127.20	—	—	—	—	124.00		
Changzhou Wujin Wanda Plaza* (常州武進萬達廣場)	09/2012	09/2015	100.0%	Changzhou, Jiangsu	115.70	592.10	148.10	69.00	74.00	56.40	63.40	145.10	—	—	2.00		
Ma'anshan Wanda Plaza* (馬鞍山萬達廣場)	09/2012	09/2015	100.0%	Ma'anshan, Anhui	143.40	765.50	282.80	72.80	40.00	62.50	104.70	162.80	—	—	3.80		
Yantai Zhifu Wanda Plaza* (煙臺芝罘萬達廣場)	10/2012	11/2014	70.0%	Yantai, Shandong	273.40	1,179.60	146.00	51.90	123.50	83.70	525.90	194.60	—	—	10.00		
Jining Taibai Wanda Plaza* (濟甯太白路萬達廣場)	10/2012	06/2015	100.0%	Jining, Shandong	129.80	737.20	69.30	—	182.10	45.80	245.00	157.10	—	—	1.40		
Jinhua Wanda Plaza* (金華萬達廣場)	11/2012	06/2015	100.0%	Jinhua, Zhejiang	90.80	505.80	—	198.90	44.90	35.30	10.50	173.60	—	—	1.00		
Fuqing Wanda Plaza* (福清萬達廣場)	01/2013	03/2015	100.0%	Fuqing, Fujian	80.10	410.30	94.90	—	82.60	43.20	42.00	145.80	—	—	1.80		
Longyan Wanda Plaza* (龍岩萬達廣場)	02/2013	04/2016	100.0%	Longyan, Fujian	130.70	721.70	234.00	73.20	70.00	66.00	80.00	156.00	—	—	4.00		
Bengbu Wanda Plaza Phase 2* (蚌埠萬達廣場二期)	04/2013	04/2015	100.0%	Bengbu, Anhui	65.00	277.00	41.10	—	92.60	46.10	61.80	—	—	—	1.00		

Project Name	Construction commencement date	Estimated completion date	Interest attributable to us ⁽¹⁾ (%)	Location	Site area ('000 sq.m.)	GFA under development or held for future development ('000 sq.m.)	GFA for sale (including pre-sold properties pending delivery and properties held for sale) ('000 sq.m.)					GFA for future investment properties ('000 sq.m.)	Others (e.g. ancillary structures)	GFA for future hotel operations ('000 sq.m.)	Others ('000 sq.m.)		
							Residential	SOHO	Office	Commercial	Others					Retail	Office
Hangzhou Gongshu Wanda Plaza* (杭州拱墅萬達廣場)	04/2013	03/2015	100.0%	Hangzhou, Zhejiang	83.40	350.20	—	—	108.00	53.20	21.50	167.00	—	—	0.50		
Wenzhou Pingyang Wanda Plaza* (溫州平陽萬達廣場)	05/2013	05/2015	100.0%	Wenzhou, Zhejiang	119.30	550.90	266.80	—	—	50.00	82.00	148.00	—	—	4.10		
Jiaxing Wanda Plaza* (嘉興萬達廣場)	08/2013	12/2015	100.0%	Jiaxing, Zhejiang	179.00	702.50	281.50	119.00	—	60.00	95.00	144.00	—	—	3.00		
Tai'an Wanda Plaza* (泰安萬達廣場)	08/2013	05/2016	100.0%	Tai'an, Shandong	164.50	667.00	—	164.80	159.00	70.00	84.60	149.00	—	—	1.60		
Dongying Wanda Plaza* (東營萬達廣場)	08/2013	11/2016	100.0%	Dongying, Shandong	175.90	822.60	359.60	—	81.60	80.00	90.00	169.00	—	—	4.40		
Sub-total					5,298.17	18,510.20	5,542.02	1,856.05	2,363.82	1,658.08	2,811.83	3,407.30	129.90	—	118.90		
Southern China																	
Dongguan Chang'an Wanda Plaza* (東莞長安萬達廣場)	10/2011	04/2014	100.0%	Dongguan, Guangdong	88.50	374.60	105.90	—	—	48.10	42.20	176.70	—	—	1.70		
Guangzhou Panyu Wanda Plaza* (廣州番禺萬達廣場)	12/2011	06/2014	100.0%	Guangzhou, Guangdong	67.50	502.00	—	155.00	—	21.90	86.10	196.80	41.20	—	1.00		
Guangzhou Zengcheng Wanda Plaza* (廣州增城萬達廣場)	03/2012	05/2014	100.0%	Guangzhou, Guangdong	89.50	382.70	—	86.00	—	50.40	13.30	189.10	—	2.40	1.80		
Foshan Jinrong Wanda Plaza* (佛山金融區萬達廣場)	06/2012	01/2015	100.0%	Foshan, Guangdong	97.00	699.20	159.60	105.90	130.30	40.80	83.80	176.50	—	—	2.30		
Dongguan Dongcheng Wanda Plaza* (東莞東城萬達廣場)	08/2012	04/2015	100.0%	Dongguan, Guangdong	123.90	532.90	106.70	34.00	60.70	55.60	41.30	169.30	19.00	—	1.90		
Nanning Qingxiu Wanda Plaza* (南寧青秀萬達廣場)	09/2012	03/2015	100.0%	Nanning, Guangxi	114.60	885.50	270.00	—	236.60	50.50	78.00	200.50	—	—	3.70		
Jiangmen Wanda Plaza* (江門萬達廣場)	03/2013	09/2015	100.0%	Jiangmen, Guangdong	105.60	615.20	—	151.60	153.70	43.70	9.00	214.50	—	—	1.20		
Sub-total					686.60	3,992.10	642.20	532.50	581.30	311.00	353.70	1,323.40	60.20	2.40	13.60		

Project Name	Construction commencement date	Estimated completion date	Interest attributable to us ⁽¹⁾ (%)	Location	Site area ('000 sq.m.)	GFA under development or held for future development ('000 sq.m.)	GFA for sale (including pre-sold properties pending delivery and properties held for sale) ('000 sq.m.)					GFA for future investment properties ('000 sq.m.)	Others (e.g. ancillary structures)	GFA for future hotel operations ('000 sq.m.)	Others ('000 sq.m.)		
							Residential	SOHO	Office	Commercial	Others					Retail	Office
Southwestern China																	
Chongqing Wanzhou Wanda Plaza* (重慶萬州萬達廣場)	08/2010	12/2013	100.0%	Chongqing	62.50	216.50	—	—	38.00	—	140.90	—	—	37.50	0.10		
Mianyang Fucheng Wanda Plaza* (綿陽涪城萬達廣場)	03/2011	10/2013	100.0%	Mianyang, Sichuan	75.00	159.70	74.90	0.20	16.30	65.70	—	—	—	—	1.70		
Chengdu Jinniu Wanda Plaza* (成都金牛萬達廣場)	05/2011	09/2013	100.0%	Chengdu, Sichuan	129.10	576.50	6.80	92.80	174.20	10.00	253.40	—	—	—	4.50		
Xishuangbanna Wanda City* (西雙版納萬達城)	01/2012	02/2017	60.0%	Xishuangbanna, Yunnan	3,365.60	4,500.00	3,190.30	636.20	—	150.00	—	—	—	147.90	—		
Kunming Xishan Wanda Plaza* (昆明西山萬達廣場)	08/2012	11/2015	100.0%	Kunming, Yunnan	70.30	714.20	—	80.50	302.70	21.50	180.00	83.10	—	44.70	1.70		
Mianyang CBD Wanda Plaza* (綿陽CBD萬達廣場)	02/2013	08/2016	100.0%	Mianyang, Sichuan	224.80	1,271.30	569.10	137.30	95.40	89.00	202.50	—	—	38.00	7.00		
Guangyuan Wanda Plaza* (廣元萬達廣場)	06/2013	10/2015	100.0%	Guangyuan, Sichuan	120.50	627.00	192.00	63.00	40.00	75.00	154.00	—	—	34.00	3.00		
Neijiang Wanda Plaza* (內江萬達廣場)	07/2013	03/2016	100.0%	Neijiang, Sichuan	153.70	749.80	260.00	122.50	40.00	80.00	150.00	—	—	34.00	3.70		
Sub-total					4,201.53	8,814.10	4,293.10	1,132.50	652.30	479.80	577.70	1,237.80	83.10	336.10	21.70		
Northern China																	
Tangshan Wanda Plaza* (唐山萬達廣場)	04/2009	03/2014	100.0%	Tangshan, Hebei	212.70	432.30	38.20	62.80	34.20	6.60	283.50	—	—	—	7.00		
Taiyuan Longhu Wanda Plaza* (太原龍湖萬達廣場)	07/2009	12/2015	100.0%	Taiyuan, Shanxi	442.20	1,071.04	318.80	—	117.40	32.84	207.30	—	—	—	40.00		
Shijiazhuang Yuhua Wanda Plaza* (石家莊裕華萬達廣場)	01/2010	05/2014	100.0%	Shijiazhuang, Hebei	405.00	945.35	208.55	—	1.00	27.93	652.40	—	—	—	54.80		
Hohhot Wanda Plaza* (呼和浩特萬達廣場)	03/2011	12/2014	100.0%	Hohhot, Inner Mongolia	263.40	457.33	297.70	—	—	58.30	57.60	—	—	43.30	0.40		
Tianjin Wanda Center* (天津萬達中心)	09/2011	01/2014	100.0%	Tianjin	73.50	335.70	108.00	—	76.50	39.90	—	—	—	110.00	1.30		
Chifeng Wanda Plaza* (赤峰萬達廣場)	03/2012	04/2014	100.0%	Chifeng, Inner Mongolia	271.40	979.90	366.20	77.90	80.30	84.70	125.10	171.50	22.70	47.00	4.50		

Project Name	Construction commencement date	Estimated completion date	Interest attributable to us ⁽¹⁾ (%)	Location	Site area ('000 sq.m.)	GFA under development or held for future development ('000 sq.m.)	GFA for sale (including pre-sold properties pending delivery and properties held for sale) ('000 sq.m.)					GFA for future investment properties ('000 sq.m.)	Others (e.g. ancillary structures)	GFA for future hotel operations ('000 sq.m.)	Others ('000 sq.m.)		
							Residential	SOHO	Office	Commercial	Others					Retail	Office
Manzhouli Wanda Plaza* (滿洲里萬達廣場)	07/2012	06/2014	100.0%	Manzhouli, Inner Mongolia	81.40	103.50	—	—	35.00	—	68.00	—	—	0.50			
Beijing Tongzhou Wanda Plaza* (北京通州萬達廣場)	03/2013	01/2016	100.0%	Beijing	103.90	582.70	63.00	—	167.40	61.70	212.50	45.10	—	5.00			
Tongjiao Wanda Plaza* (通遼萬達廣場)	07/2013	09/2016	100.0%	Tongjiao, Inner Mongolia	234.60	1,009.80	511.30	54.50	45.00	100.00	145.00	—	—	36.50	4.00		
Wuhai Wanda Plaza* (烏海萬達廣場)	09/2013	05/2016	100.0%	Wuhai, Inner Mongolia	144.30	717.10	297.00	34.00	70.00	60.00	157.10	—	—	—	4.00		
Sub-total					2,232.35	6,634.02	2,208.75	229.20	591.80	506.97	1,709.80	961.40	67.80	236.80	121.50		
Northeastern China																	
Wanda Gonguan, Wanda Center* (萬達公館、萬達中心)	11/2009	10/2013	100.0%	Dalian, Liaoning	65.20	66.77	43.75	—	—	—	13.17	—	—	—	9.80		
Changbaishan Wanda City* (長白山萬達城)	05/2010	06/2015	68.7%	Changbaishan, Jilin	10,372.30	6,100.20	4,667.90	863.10	—	222.90	—	103.10	—	243.20	—		
Dalian Gaoxin Wanda Plaza* (大連高新萬達廣場)	01/2011	07/2015	100.0%	Dalian, Liaoning	140.50	324.40	142.50	59.50	—	21.20	—	—	—	—	6.90		
Harbin Haxi Wanda Plaza* (哈爾濱哈西萬達廣場)	03/2011	07/2013	100.0%	Harbin, Heilongjiang	186.50	866.90	258.20	97.30	38.40	68.70	138.10	212.10	—	48.10	6.00		
Changchun Kuancheng Wanda Plaza* (長春寬城萬達廣場)	04/2011	07/2013	100.0%	Changchun, Jilin	102.30	442.10	76.70	131.60	4.70	35.00	29.40	163.50	—	—	1.20		
Fushun Wanda Plaza* (撫順萬達廣場)	06/2011	07/2013	100.0%	Fushun, Liaoning	138.80	929.90	254.50	128.70	—	61.70	257.80	180.00	—	39.10	8.10		
Shenyang Aoti Wanda Plaza* (瀋陽奧體萬達廣場(渾南))	09/2011	10/2015	100.0%	Shenyang, Liaoning	71.10	563.30	139.10	150.30	—	12.40	44.30	162.50	—	51.60	3.10		
Dandong Wanda Plaza* (丹東萬達廣場)	03/2012	09/2016	100.0%	Dandong, Jilin	260.70	1,115.30	595.90	—	60.00	100.00	140.00	167.80	—	42.10	9.50		
Harbin Wanda City* (哈爾濱萬達城)	05/2012	05/2020	70.0%	Harbin, Heilongjiang	1,491.60	3,547.00	1,821.80	364.40	—	243.00	—	694.80	—	423.00	—		
Dalian Jinsh* (大連金石)	10/2012	08/2015	40.0%	Dalian, Liaoning	380.60	454.70	386.50	45.50	—	22.70	—	—	—	—	—		

Project Name	Construction commencement date	Estimated completion date	Interest attributable to us ⁽¹⁾ (%)	Location	Site area ('000 sq.m.)	GFA under development or held for future development ('000 sq.m.)	GFA for sale (including pre-sold properties pending delivery and properties held for sale) ('000 sq.m.)					GFA for future investment properties ('000 sq.m.)	Others (e.g. ancillary structures)	GFA for future hotel operations ('000 sq.m.)	Others ('000 sq.m.)
							Residential	SOHO	Office	Commercial	Others				
Yingkou Wanda Plaza* (營口萬達廣場)	12/2012	09/2015	100.0%	Yingkou, Liaoning	130.60	717.20	218.40	62.30	106.00	63.40	63.00	161.80	—	39.30	3.00
Qiqihar Wanda Plaza* (齊齊哈爾萬達廣場)	03/2013	05/2015	100.0%	Qiqihar, Heilongjiang	124.70	554.10	197.80	69.10	—	58.80	39.40	149.30	—	37.00	2.70
Jiamusi Wanda Plaza* (佳木斯萬達廣場)	06/2013	06/2016	100.0%	Jiamusi, Heilongjiang	277.80	1,050.00	525.00	51.00	84.00	105.00	105.00	143.00	—	32.00	5.00
Jixi Wanda Plaza* (雞西萬達廣場)	07/2013	06/2017	100.0%	Jixi, Heilongjiang	88.70	635.00	171.00	101.00	45.00	41.50	112.00	130.00	—	31.50	3.00
Sub-total					13,831.41	17,366.82	9,499.05	2,123.80	338.10	1,056.30	1,036.47	2,267.90	—	986.90	58.30
Northwestern China															
Lanzhou Chengguan Wanda Plaza* (蘭州城關萬達廣場)	04/2011	07/2015	100.0%	Lanzhou, Gansu	55.20	439.60	123.80	—	73.70	12.00	6.60	179.80	—	41.70	2.00
Xi'an Damingsong Wanda Plaza* (西安大明宮萬達廣場)	02/2012	08/2014	100.0%	Xi'an, Shanxi	105.20	647.30	186.60	54.00	97.00	41.30	75.40	189.40	—	—	3.60
Yinchuan Hotel* (銀川酒店項目)	07/2012	07/2014	100.0%	Yinchuan, Ningxia	38.50	231.80	—	116.30	43.00	19.60	—	—	13.50	38.90	0.50
Yinchuan Xixia Wanda Plaza* (銀川西夏萬達廣場)	09/2012	07/2015	100.0%	Yinchuan, Ningxia	120.00	624.50	245.00	136.50	—	60.00	40.00	140.00	—	—	3.00
Weinan Wanda Plaza* (渭南萬達廣場)	07/2013	11/2015	100.0%	Weinan, Shaanxi	69.10	290.00	—	60.00	40.50	32.00	—	125.00	—	31.50	1.00
Xining Haihu Wanda Plaza* (西寧海湖萬達廣場)	09/2013	06/2017	100.0%	Xining, Qinghai	139.10	871.00	280.00	114.00	129.00	53.20	70.00	180.00	—	41.00	3.80
Sub-total					527.10	3,104.20	835.40	480.80	383.20	218.10	192.00	814.20	—	153.10	13.90
Central China															
Wuhan Wanda Center* (武漢萬達中心)	11/2009	10/2013	100.0%	Wuhan, Hubei	103.20	302.55	180.55	0.36	—	24.57	94.90	—	—	—	2.10
Wuhan Jingkai Wanda Plaza* (武漢經開萬達廣場)	06/2010	12/2013	100.0%	Wuhan, Hubei	119.90	107.52	—	24.30	39.70	6.70	36.50	—	—	—	0.30
Wuhan Chuze Hanjite* (武漢中央文化區)	09/2010	04/2018	100.0%	Wuhan, Hubei	651.50	2,989.64	1,564.80	—	495.80	162.10	541.60	134.54	—	47.50	43.30

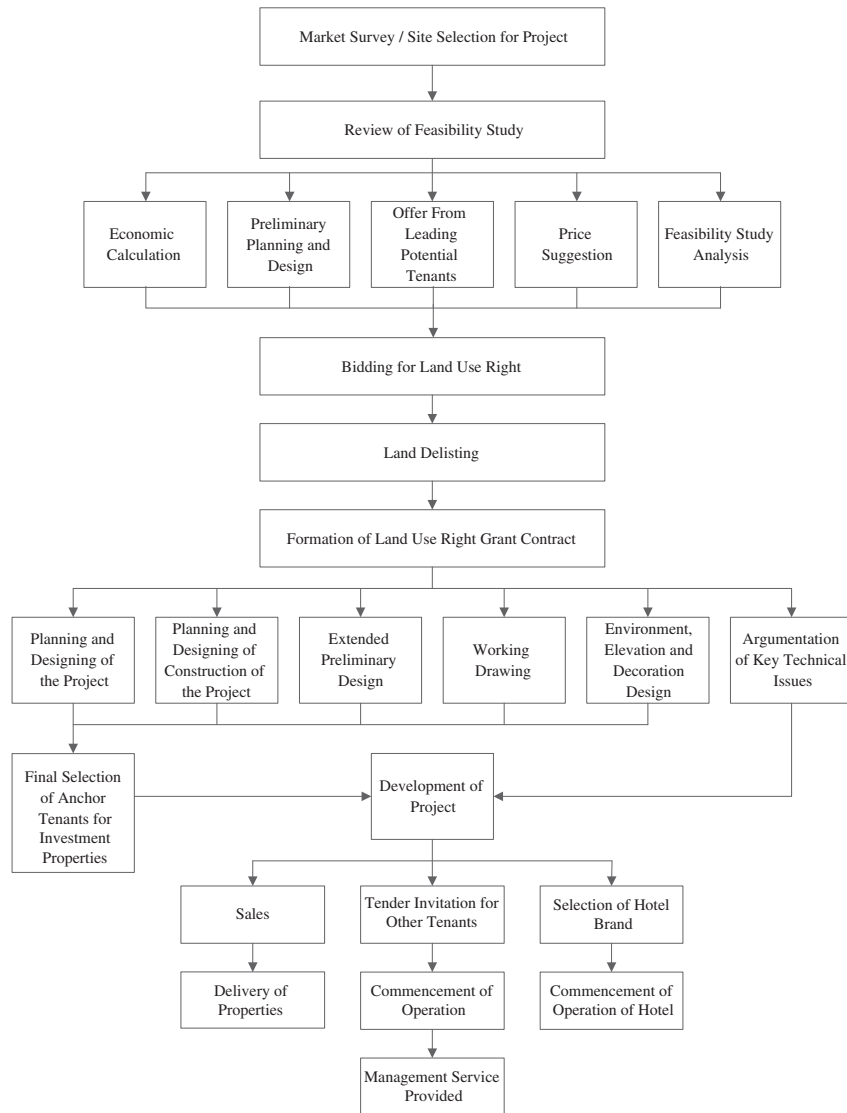
Project Name	Construction commencement date	Interest attributable to us ⁽¹⁾ (%)	Location	Site area ('000 sq.m.)	GFA under development or held for future development ('000 sq.m.)	GFA for sale (including pre-sold properties pending delivery and properties held for sale) ('000 sq.m.)				GFA for future investment properties ('000 sq.m.)	Others (e.g. ancillary structures)	GFA for future hotel operations ('000 sq.m.)	Others ('000 sq.m.)			
						Residential	SOHO	Office	Commercial					Others	Retail	Office
Zhengzhou Erqi Wanda Plaza* (鄭州二七萬達廣場)	01/2011	100.0%	Zhengzhou, Henan	110.00	7.70	—	—	0.80	6.90	—	—	—	—			
Jingzhou Wanda Plaza* (荊州萬達廣場)	04/2013	100.0%	Jinzhou, Hubei	121.70	607.50	227.00	66.30	5.20	58.10	52.00	159.00	36.90	3.00			
Anyang Wanda Plaza* (安陽萬達廣場)	05/2013	100.0%	Anyang, Henan	111.60	646.00	242.50	53.20	40.00	50.50	76.50	144.50	33.80	3.00			
Zhengzhou Wanda Center* (鄭州萬達中心)	09/2013	100.0%	Zhengzhou, Henan	55.70	358.50	111.10	12.00	68.70	40.40	37.10	—	39.50	—	48.10	1.60	
Huangshi Wanda Plaza* (黃石萬達廣場)	10/2013	100.0%	Huangshi, Hubei	178.40	872.10	430.00	105.60	—	60.00	70.00	169.00	—	—	32.50	5.00	
Sub-total				1,452.00	5,891.41	2,755.95	263.76	649.40	403.17	915.50	607.04	39.50	—	198.80	58.30	
Total				28,229.11	64,312.84	25,776.46	6,618.61	5,559.92	4,633.42	7,597.00	10,619.04	394.00	2.40	2,705.80	406.20	

Note (1): "Interest attributable to us" represents our beneficial ownership in a project, including projects subject to financing arrangements. Under certain financing arrangements, we transferred a minority equity interest, the right to dividend and other profit distributions in relation to the equity interest and/or the right to benefit and revenue derived from specific investment properties, in the relevant project companies to the financing entities as security during the terms of the financing arrangements.

: The English names of the PRC entities or organizations marked "" are translations from their Chinese names and are for identification purposes only.

Property development process

The following chart outlines the core elements of our typical project development process:



Site Selection and Market Research

We place great emphasis and devote significant management resources to site selection as it is the fundamental step to our success in project development. Our in-house development department is responsible for conducting research by utilizing our internal and external resources on the potential demand for a property development on a target site, determining our market position, calculating certain operational and financial ratios based on our internal benchmarks, such as the target positive cash flow for a project, and formulating a preliminary project feasibility study analysis for the approval of the our “Project Information Evaluation Committee.” Our major criteria for site selection include:

- location and connectivity of the site;
- status of the local real estate market, such as demand and supply, property prices and capitalization rates, and the expected economic growth of the area in which the site is located;
- local population and its purchasing power;
- local competitive environment;
- investment budget, such as land prices, construction costs and financing costs; and
- government development plan for the relevant site and the neighboring area.

Preliminary Preparation

Land Acquisition

We generally acquire land use rights for property development from the PRC government through public tenders, auctions or listings-for-sale in accordance to the Regulations on the Granting of State-Owned Construction Land Use Rights through Invitations to Tenders, Auctions and Listing (《招標拍賣挂牌出讓國有建設用地使用權規定》), promulgated on September 28, 2007 and became effective on November 1, 2007. We make land acquisition decisions by taking into consideration factors such as land prices, property prices, rental of commercial centers as well as other factors included in our project feasibility study analysis. Once we have obtained land use rights for a parcel of land, we begin applying for the certificates, permits and licenses required to begin the construction of our properties.

Project Planning and Design

Project planning and design is a critical step in our project development process. Our in-house planning and design team, “Commercial Planning and Research Institute,” cooperates closely with project companies, contracted designers and engineers on the overall planning of each development project as well as the architectural, landscape and interior design of each project. For our anchor tenants, we usually communicate and work closely with them early in the design process to understand their unique needs in order to minimize the renovation time and costs before officially starting business operations.

Our “Commercial Planning and Research Institute” studies the characteristics of each specific site we acquired to lay out the optimal product mix and use of space and sets up construction standards. It will also manage and control the construction process to ensure that construction standards are strictly followed and properly executed.

Apart from our “Commercial Planning and Research Institute,” we engage reputable domestic and international architectural and interior design firms to plan the architectural, landscape and interior designs of our projects in accordance with our specifications. We use a tender process in selecting these architectural and interior design firms and make our selection based on their proposed designs, their reputation for reliability and quality as well as their bidding price.

Project Financing

We finance our projects primarily through our internal financial reserves, including pre-sale proceeds and sale of our properties, and other sources such as bank loans and trust financing arrangements.

According to a guideline issued by the CBRC on August 30, 2004, no bank loan may be granted to projects which have not obtained the relevant land use rights certificates, construction land planning permits, construction work planning permits or construction work commencement permits. On May 25, 2009, the State Council issued a Notice on Adjusting the Capital Ratio of Fixed Assets Investment Project (《關於調整固定資產投資項目資本比例的通知》). The notice states that 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 use proceeds from the pre-sale and sale of our properties to complete existing commercial and residential property developments and to fund part of the construction costs of our investment properties and hotel projects. According PRC Law, we may pre-sell properties under construction after certain criteria are met and proceeds from pre-sales are normally used for the construction of such properties.

To the extent necessary and subject to the guidelines issues by the CBRC, we finance projects partially through borrowings from banks and trust financing arrangements. At June 30, 2013, our outstanding current and non-current borrowings from banks and other financial institutions was CNY136,172 million, among which CNY31,453 million was the amount of our trust financings. Our bank loans are primarily provided by major commercial banks in the PRC and Hong Kong. Please refer to the section headed “*Management’s discussion and analysis of financial condition and results of operations*” for further details. Our ability to finance our projects also depends on the economic and regulatory measures introduced by the central and local governments, which are often intended to stabilize the property market in China. In particular, any decisions to raise the reserve ratio or the benchmark interest rates by the PBOC will limit the amount available to commercial banks for lending and our ability to obtain financing from commercial banks and increase our finance costs.

Construction

Tendering Process

We outsource all of our construction work of our projects under development to external professional construction companies. Based on a construction company's professional qualifications, reputation and credentials in the project market, financial capability, experience, technical abilities and any previous working experience we had with them, we maintain an internal construction company "candidate-bank." We have good working relationships with over ten national construction companies, a majority of which have been working with us for more than ten years. We invite multiple construction companies from our construction company "candidate-bank" to participate in the tendering process of each of our new projects in accordance with the Law on Tender and Bidding of the PRC (《中華人民共和國招標投標法》) and the Rules on the Tender Scope and Criteria for Construction Projects (《工程建設項目招標範圍和規模標準規定》). In order to ensure the quality and workmanship standards of our properties, we apply stringent criteria in the selection of construction companies for a particular project. We typically assess the technical specifications, construction site conditions, timetable of a new project and then consider whether the construction companies have the necessary and comparable professional qualifications, technical abilities, staffing, construction organization plan, financial capability for this new project, and our past working experience with them and their price quotes.

After the tender process, we generally enter into a construction contract with the winning bidder, under which the construction company is subject to warranties in respect of the quality and construction completion schedule. We require each construction company to provide a detailed construction quality and management plan for our approval before commencing the construction of the entire project. During the construction process, we will also monitor and review the construction quality in each construction stage throughout the entire project. If the construction company does not follow the project timeline or construct projects with defects, we will remove them from our construction company "candidate-bank" and blacklist them in our internal record.

Payment is made in installments to the construction companies in accordance with the terms and conditions as stipulated in our standard construction contract. The percentage of installment varies case by case. In general, the construction companies are not paid for down payment but are paid for approximately 60% to 70% of the work completed in accordance with the construction progress and the agreed plan. When the construction project is completed and checked for acceptance, the construction companies shall receive up to approximately 80% to 90% of the total payment. At closing and settlement, we generally settle approximately 95% of the total payment, and retain the remaining 5% of the total payment to cover the cost of any defects discovered after closing and settlement.

Procurement

We are responsible for purchasing specific construction materials and equipments, such as elevators, pipes and coatings while general and basic construction materials such as steel, concrete mix and sand are generally procured by our construction contractors. We have established a centralized procurement process, which plays an essential role in achieving economies of scale in production, enhancing our bargaining power and strengthening our cost controls. In addition, we record the standardized features of a particular construction material in our internal IT systems, based on which we are able to procure construction materials with consistent high-quality.

We have also built stable cooperation with reputable suppliers and set up a stringent bidding process to select suppliers. We typically assess our demand of a particular construction material and then consider whether the suppliers have the necessary and comparable business scale, product quality and certification, sales and customer service quality, financial condition and technical abilities to provide us with reliable supplies. To maintain the quality of our suppliers, we keep an internal list of suppliers which is subject to review periodically. The suppliers may be "upgraded" or "blacklisted" depending on our experience with them.

Quality Control

We place great emphasis on the quality control and construction supervision of our properties to ensure compliance with the relevant regulations and our quality standards. We have established a standardized, professional and procedural operational system of property development and have formulated various management measures for bidding, construction preparation, construction, inspection and delivery, accidents, new material and new process, and special environment projects as constituent parts of our quality control system.

In compliance with the relevant PRC laws and regulations, we engage certified construction supervision companies to monitor certain aspects of our construction of projects. They conduct quality and safety control checks on all construction materials and workmanships on-site and also monitor the progress of construction progress, work site safety and the relevant construction completion schedule. In addition to engaging external professionals, the project management team of our project companies closely oversees the entire construction processes, paying particular attention to the quality and timetable of construction works, as well as the selection of construction materials to ensure compliance with the applicable national quality control standards and our own stringent quality control standards.

Property sales

Sales of Commercial and Residential Properties

We develop and subsequently sell commercial and residential properties in most of the first- and second- tier cities and certain high growth potential cities in China. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our total contracted sales was CNY66,193 million, CNY90,505 million, CNY101,375 million and CNY51,467 million, respectively, with 58.4%, 64.2%, 69.2% and 63.0%, respectively, contributed by the contracted sales of commercial properties. We were ranked among the top ten real estate developers in China in terms of contracted sales and contracted GFA in 2010, 2011 and 2012 by China Real Estate Appraisal (中國房地產測評中心) and China Real Estate Information Corporation (中國房產信息集團).

The table below sets forth our contracted sales in commercial properties and residential properties for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013.

	For the year ended December 31,									For the six months ended June 30,		
	2010			2011			2012			2013		
	Contracted sales (CNY in millions)	Aggregate contracted GFA (sq.m.)	ASP (CNY)	Contracted sales (CNY in millions)	Aggregate contracted GFA (sq.m.)	ASP (CNY)	Contracted sales (CNY in millions)	Aggregate contracted GFA (sq.m.)	ASP (CNY)	Contracted sales (CNY in millions)	Aggregate contracted GFA (sq.m.)	ASP (CNY)
Commercial	38,664	2,385,316	16,209	58,067	3,242,208	17,910	70,154	4,284,117	16,375	32,429	2,030,808	15,968
Residential	27,116	3,050,988	8,888	29,881	2,963,602	10,083	26,240	2,845,966	9,220	17,623	1,837,338	9,592
Others	413	86,378	N/A	2,557	340,147	N/A	4,981	960,512	N/A	1,416	425,799	N/A
Total	66,193	5,522,682	11,986	90,505	6,545,957	13,826	101,375	8,090,596	12,530	51,468	4,293,945	11,986

Commercial Properties

Our commercial properties mostly include retail spaces, office spaces and SOHO. We develop various unit sizes of commercial properties for sale that cater to a wide variety of companies and individuals, including SMEs and high net worth individuals.

Retail spaces are usually ground-floor shops located near Wanda Plaza and the residential units in downtown or district center with an average GFA of 100 sq.m. to 200 sq.m. per unit.

Office spaces in the office buildings generally have a standard floor area of approximately 1,600 sq.m., and we also provide office units ranging from 200 sq.m. to 300 sq.m. for sale. Our office spaces usually target local large- to mid-size corporations and state-owned enterprises, as well as companies that are looking to expand or improve their current working environment and enhance their corporate image.

SOHO is a type of small home office with an average GFA of 30 sq.m. to 70 sq.m. per unit, targeting customers that purchase for self-dwelling or investment purposes.

Residential Properties

We primarily focus on developing small-to-medium unit sized residential properties that target first-time home buyers and up-graders. Our residential properties mainly include high-rise and mid-rise apartments. In order to meet the demands of various buyers, we mainly offer three products, including (a) apartments with two bedrooms and one bathroom, the average GFA of which usually range from 80 sq.m. and 90 sq.m.; (b) apartments with three bedrooms and one or two bathrooms, the average GFA of which usually range from 100 sq.m. to 130 sq.m.; and (c) apartments with four bedrooms and two bathrooms, the average GFA of which usually range from 130 sq.m. and 140 sq.m.

Sales and Marketing

Prior to Land Acquisition and Construction of Our Projects

We have a dedicated in-house sales and marketing team responsible for the advertising and sale of our projects. The internal sales and marketing teams of our project companies spend a large amount of time and resources in conducting market research and analysis to understand the local property markets, competitive landscape and behavior of target customers of our projects, based on which they formulate a sales and marketing plan, setting forth the sales targets, a range of our properties' potential selling prices, implementation strategies and steps, and produce promotional plans during different construction stages.

Prior to Launching Property Sales

We organize a dedicated sales and marketing team for each project before the commencement of pre-sales. Each sales and marketing team is usually composed of at least ten salesmen with one to two supervisory management members. When determining the selling prices of our properties, not only will we refer to the general range of our properties' selling prices that were set forth in our project feasibility study analysis before we commence construction, but also, immediately before we begin selling our properties, our sales and marketing department will conduct research on the local market condition and provide more detailed guidance on the selling prices.

Promotional Initiatives

We market our properties mainly by way of newspapers, magazines, internet, billboard and television. We place special emphasis on the design and environment of the sales centers and the show flats at the development sites, as well as dedicated frontline staff so as to create a memorable shopping experience for our potential customers. Generally, it takes about 12 to 24 months for us to complete construction after pre-sale of properties.

Pre-sales

We pre-sell our properties before the completion of a project or a project phase. We generally start pre-sale of the first phase of our projects within six to eight months after land acquisition. We will enter into a standard contract with each of our purchasers, which mainly specifies the GFA of the property to be sold, purchase price, method of payment and the date of delivery of the completed property. Each of our project companies reviews its sales performance every month and may adjust its sales and marketing strategies based on its sales performance review under the guidance of the sales and marketing department in our headquarter office. In addition, we award our salesmen with performance-linked incentive commissions to further improve our sales level. The period from pre-sale to the delivery of the first phase is generally 18 to 24 months.

Under the Law of the PRC on Urban Real Estate Administration (《中華人民共和國城市房地產管理法》) and the Measures for the Administration of Pre-sale of Commodity Buildings (《城市商品房預售管理辦法》), certain conditions must be fulfilled before the pre-sales of a particular property, including the full payment of land premiums and obtaining the relevant land use rights certificate, the construction work planning permit and construction work commencement permit. Please refer to the section headed “*PRC Regulations*” of this Offering Circular for further details of the applicable PRC laws and regulations. Proceeds from pre-sales are generally deposited in escrow accounts and can only be used in financing construction of the relevant properties.

Payment Arrangements

Our customers may either pay in one lump-sum payment, in two installments or by mortgage financing. For customers who choose to settle the purchase price by making one lump-sum payment, they are typically required to fully settle the remaining balance within three months after the date of execution of the relevant sale and purchase agreements. Customers may also choose to settle the purchase price by paying two installments within six to twelve months after the date of execution of the relevant sale and purchase agreements. In addition, commercial and residential property purchasers who choose to pay by mortgage financing are required to pay a down payment of not less than 50% and 30%, respectively, of the purchase price upon signing the relevant sale and purchase agreements. These purchasers are required to pay the remaining balance of the portion of the purchase price that is not covered by the mortgage loans prior to the disbursement of such mortgage loans from mortgage banks.

Delivery of Properties

We closely monitor the construction progress of our properties and endeavor to deliver our properties to purchasers within the time frame stipulated in the respective sale and purchase agreements. Under the current PRC laws and regulations, we are required to obtain a Record of Acceptance Examination Upon Project Completion (竣工驗收備案證明) prior to the delivery of properties to the purchasers. For details of the PRC laws and regulations governing delivery of properties, please refer to the section headed “*PRC Regulations*” of this Offering Circular.

Once a property development project has passed the requisite completion and acceptance inspections, we will notify the purchasers in respect of the delivery on a timely basis. However, if we fail to deliver the properties to purchasers on the date of delivery stipulated in the respective sale and purchase agreements, we will be obliged to pay a compensation fee of a certain percentage of the purchase price. After completion of project construction, we are required to obtain a general property ownership certificate for each of our projects. After the delivery of properties, we offer assistance to purchasers in applying for strata-title Building Ownership Certificate (分戶產權證) by providing the requisite information to the local title registration office.

Leasing, operation and management of investment properties

Overview of Investment Properties

We lease and manage our investment properties. For the years ended December 31, 2010, 2011 and 2012 and six months ended June 30, 2013, our income from rental and property management and related services was CNY2,153 million, CNY4,001 million, CNY6,214 million and CNY4,056 million, representing 5.4%, 7.4%, 9.9% and 12.0% of our revenue, respectively. We plan to increase the proportion of revenue that we generate from this business segment.

As of June 30, 2013, our investment property portfolio comprised of completed rental properties held for long-term investment, including shopping centers, offices, retail spaces and other ancillary facilities. Our investment property portfolio was approximately 11.9 million sq.m. in total GFA in the PRC as of June 30, 2013. The total GFA of our completed investment properties in operation at the end of 2010, 2011 and 2012 were approximately 5.1 million sq.m., 7.8 million sq.m. and 11.2 million sq.m., respectively.

We believe our core product “Wanda Plaza” can create a positive business ecosystem that is (1) complementary to the local community’s development by improving the urban functionalities as an urban service center; (2) attractive to end-consumers by providing a positive one-stop entertainment, leisure and shopping experience; (3) critical to fostering our relationships with tenants and partners given our continued business expansion; (4) strategic to local governments by providing tax contributions and creating employment opportunities; and (5) mutually beneficial to other industry participants given the land value’s appreciation opportunity in the surrounding area.

The following table shows our major completed investment properties as of June 30, 2013.

Project Name	Interest attributable to us ⁽¹⁾ (%)	Location	Actual opening date	Total GFA ('000 sq.m.)	Total leasable GFA ('000 sq.m.)
Eastern China					
Nanchang Bayi Wanda Plaza* (南昌八一萬達廣場)	100.0%	Nanchang, Jiangxi	08/2003	36.25	26.52
Ningbo Yinzhou Wanda Plaza* (寧波鄞州萬達廣場)	100.0%	Ningbo, Zhejiang	12/2006	260.55	172.91
Shanghai Wujiaochang Wanda Plaza* (上海五角場萬達廣場)	100.0%	Shanghai	12/2006	242.12	182.77
Suzhou Pingjiang Wanda Plaza* (蘇州平江萬達廣場)	100.0%	Suzhou, Jiangsu	09/2009	150.46	88.19
Shanghai Zhoupu Wanda Plaza* (上海周浦萬達廣場)	100.0%	Shanghai	09/2009	156.07	99.04
Qingdao CBD Wanda Plaza* (青島CBD萬達廣場)	100.0%	Qingdao, Shandong	11/2009	159.95	129.61
Nanjing Jianye Wanda Plaza* (南京建邺萬達廣場)	100.0%	Nanjing, Jiangsu	12/2009	197.48	118.72
Wuxi Binhu Wanda Plaza* (無錫濱湖萬達廣場)	100.0%	Wuxi, Jiangsu	09/2010	162.94	94.57
Jinan Weijiazhuang Wanda Plaza* (濟南魏家莊萬達廣場)	100.0%	Jinan, Shandong	11/2010	162.68	87.88
Hefei Baohe Wanda Plaza* (合肥包河萬達廣場)	100.0%	Hefei, Anhui	12/2010	209.19	102.08
Ningbo Jiangbei Wanda Plaza* (寧波江北萬達廣場)	100.0%	Ningbo, Zhejiang	12/2010	158.35	84.64
Shaoxing Keqiao Wanda Plaza* (紹興柯橋萬達廣場)	100.0%	Shaoxing, Zhejiang	12/2010	173.00	103.16
Fuzhou Jimrongjie Wanda Plaza* (福州金融街萬達廣場)	100.0%	Fuzhou, Fujian	12/2010	163.02	90.70
Huai'an Wanda Plaza* (淮安萬達廣場)	100.0%	Huai'an, Jiangsu	01/2011	164.94	95.46
Shanghai Jiangqiao Wanda Plaza* (上海江橋萬達廣場)	100.0%	Shanghai	06/2011	212.35	111.79
Zhenjiang Wanda Plaza* (鎮江萬達廣場)	100.0%	Zhenjiang, Jiangsu	08/2011	167.43	80.30
Xiamen Huli Wanda Plaza* (廈門湖裏萬達廣場)	100.0%	Xiamen, Fujian	09/2011	185.84	96.69
Changzhou Xinbei Wanda Plaza* (常州新北萬達廣場)	100.0%	Changzhou, Jiangsu	12/2011	188.59	88.56
Taizhou Wanda Plaza* (泰州萬達廣場)	100.0%	Taizhou, Jiangsu	12/2011	159.89	91.01
Fuzhou Cangshan Wanda Plaza* (福州倉山萬達廣場)	100.0%	Fuzhou, Fujian	12/2011	183.79	100.87
Shanghai Baoshan Wanda Plaza* (上海寶山萬達廣場)	65.0%	Shanghai	06/2012	169.03	86.97
Hefei Tianshu Wanda Plaza* (合肥天鵝湖萬達廣場)	100.0%	Hefei, Anhui	07/2012	176.96	84.56
Jinjiang Wanda Plaza* (晉江萬達廣場)	100.0%	Jinjiang, Fujian	08/2012	208.85	83.89
Ningde Wanda Plaza* (寧德萬達廣場)	100.0%	Ningde, Fujian	08/2012	164.46	87.85
Nanchang Honggutun Wanda Plaza* (南昌紅谷灘萬達廣場)	100.0%	Nanchang, Jiangxi	08/2012	184.02	93.99

Project Name	Interest attributable to us ⁽¹⁾ (%)	Location	Actual opening date	Total GFA ('000 sq.m.)	Total leasable GFA ('000 sq.m.)
Jiangyin Wanda Plaza* (無錫江陰萬達廣場)	100.0%	Wuxi, Jiangsu	09/2012	194.18	101.79
Wuhu Jinghu Wanda Plaza* (蕪湖鏡湖萬達廣場)	100.0%	Wuhu, Anhui	09/2012	157.91	82.55
Quanzhou Puxi Wanda Plaza* (泉州浦西萬達廣場)	100.0%	Quanzhou, Fujian	09/2012	273.89	105.56
Qingdao Licang Wanda Plaza* (青島李滄萬達廣場)	100.0%	Qingdao, Shandong	09/2012	183.05	99.71
Zhangzhou Bihu Wanda Plaza* (漳州碧湖萬達廣場)	100.0%	Zhangzhou, Fujian	10/2012	220.10	94.82
Wenzhou Longwan Wanda Plaza* (溫州龍灣萬達廣場)	100.0%	Wenzhou, Zhejiang	11/2012	244.10	124.65
Putian Wanda Plaza* (莆田萬達廣場)	100.0%	Putian, Fujian	12/2012	193.39	91.96
Taicang Wanda Plaza* (太倉萬達廣場)	100.0%	Taicang, Jiangsu	12/2012	169.91	89.74
Yixing Wanda Plaza* (無錫宜興萬達廣場)	90.3%	Wuxi, Jiangsu	05/2013	206.87	95.03
Xiamen Jimen Wanda Plaza* (廈門集美萬達廣場)	100.0%	Xiamen, Fujian	06/2013	135.40	70.07
Wuxi Huishan Wanda Plaza* (無錫惠山萬達廣場)	100.0%	Wuxi, Jiangsu	06/2013	168.89	85.98
Sub-total				6,545.90	3,524.59
Southern China					
Guangzhou Baiyun Wanda Plaza* (廣州白雲萬達廣場)	100.0%	Guangzhou, Guangdong	12/2010	194.33	88.93
Sub-total				194.33	88.93
Southwestern China					
Chengdu Jinhualu Wanda Plaza* (成都錦華路萬達廣場)	100.0%	Chengdu, Sichuan	12/2007	228.49	142.18
Chongqing Nanning Wanda Plaza* (重慶南坪萬達廣場)	100.0%	Nanping, Chongqing	12/2009	123.59	87.07
Chengdu Jinniu Wanda Plaza* (成都金牛萬達廣場)	100.0%	Chengdu, Sichuan	12/2012	214.44	115.69
Mianyang Fucheng Wanda Plaza* (綿陽涪城萬達廣場)	100.0%	Mianyang, Sichuan	12/2012	167.51	91.15
Sub-total				734.04	436.09
Northern China					
Tianjin Hepingjinjie Wanda Plaza* (天津和平金街萬達廣場)	100.0%	Tianjin	12/2003	28.48	22.79
Beijing CBD Wanda Plaza* (北京CBD萬達廣場)	100.0%	Beijing	12/2006	193.86	104.40

Project Name	Interest attributable to us ⁽¹⁾ (%)	Location	Actual opening date	Total GFA ('000 sq.m.)	Total leasable GFA ('000 sq.m.)
Beijing Shijingshan Wanda Plaza* (北京石景山萬達廣場)	100.0%	Beijing	12/2008	128.12	87.40
Baotou Qingshan Wanda Plaza* (包頭青山萬達廣場)	100.0%	Baotou, Inner Mongolia	11/2010	174.80	106.39
Hohhot Wanda Plaza* (呼和浩特萬達廣場)	100.0%	Hohhot, Inner Mongolia	11/2010	162.01	97.07
Tianjin Hedong Wanda Plaza* (天津河東萬達廣場)	100.0%	Tianjin	11/2010	181.72	96.11
Shijiazhuang Yuhua Wanda Plaza* (石家莊裕華萬達廣場)	100.0%	Shijiazhuang, Hebei	09/2011	210.81	117.19
Langfang Wanda Plaza* (廊坊萬達廣場)	100.0%	Langfang, Hebei	11/2011	161.40	84.30
Tangshan Wanda Plaza* (唐山萬達廣場)	100.0%	Tangshan, Hebei	12/2011	195.63	112.69
Sub-total				1,436.83	828.34
Northeastern China					
Changchun Chongqinglu Wanda Plaza* (長春重慶路萬達廣場)	100.0%	Changchun, Jilin	01/2003	47.13	35.59
Harbin Xiangfang Wanda Plaza* (哈爾濱香坊萬達廣場)	100.0%	Harbin, Heilongjiang	10/2007	132.87	80.35
Shenyang Taiyuanjie Wanda Plaza* (瀋陽太原街萬達廣場)	100.0%	Shenyang, Liaoning	11/2009	89.90	41.71
Shenyang Trixi Wanda Plaza* (瀋陽鐵西萬達廣場)	100.0%	Shenyang, Liaoning	08/2010	156.54	84.88
Changchun Hongqijie Wanda Plaza* (長春紅旗街萬達廣場)	100.0%	Changchun, Jilin	10/2010	132.99	85.35
Daqing Saertu Wanda Plaza* (大慶薩爾圖萬達廣場)	100.0%	Daqing, Heilongjiang	11/2011	159.95	85.24
Dalian Donggang Wanda Center* (大連東港萬達中心)	100.0%	Dalian, Liaoning	02/2012	107.16	54.19
Shenyang Beiyitu Wanda Plaza* (瀋陽北一路萬達廣場)	100.0%	Shenyang, Liaoning	08/2012	169.81	98.08
Dalian Gaoxin Wanda Plaza* (大連高新萬達廣場)	100.0%	Dalian, Liaoning	05/2013	203.59	109.05
Sub-total				1,199.94	674.44
Northwestern China					
Xi'an Lijiacun Wanda Plaza* (西安李家村萬達廣場)	100.0%	Xi'an, Shaanxi	05/2008	131.43	82.73
Xi'an Minleyuan Wanda Plaza* (西安民樂園萬達廣場)	100.0%	Xi'an, Shaanxi	12/2009	146.39	82.77
Yinchuan Jinfeng Wanda Plaza* (銀川金鳳萬達廣場)	100.0%	Yinchuan, Ningxia	09/2011	166.32	89.62
Sub-total				444.14	255.12

Project Name	Interest attributable to us ⁽¹⁾ (%)	Location	Actual opening date	Total GFA ('000 sq.m.)	Total leasable GFA ('000 sq.m.)
Central China					
Luoyang Wanda Plaza* (洛陽萬達廣場)	100.0%	Luoyang, Henan	12/2009	96.24	57.93
Xiangyang Wanda Plaza* (襄陽萬達廣場)	100.0%	Xiangyang, Hubei	11/2010	165.16	89.10
Yichang Wanda Plaza* (宜昌萬達廣場)	100.0%	Yichang, Hubei	11/2010	145.78	79.51
Wuhan Lingjiaohu Wanda Plaza* (武漢菱角湖萬達廣場)	100.0%	Wuhan, Hubei	12/2010	161.81	94.05
Wuhan Jingkai Wanda Plaza* (武漢經開萬達廣場)	100.0%	Wuhan, Hubei	08/2011	160.14	86.43
Wuhan Chuhe Hanjie* (武漢中央文化區(楚河漢街))	100.0%	Wuhan, Hubei	09/2011	185.49	96.67
Wuhan Wanda Center* (武漢萬達中心)	100.0%	Wuhan, Hubei	09/2011	85.20	63.11
Zhengzhou Zhongyuan Wanda Plaza* (鄭州中原萬達廣場)	100.0%	Zhengzhou, Henan	10/2011	164.59	96.14
Zhengzhou Er'qi Wanda Plaza* (鄭州二七萬達廣場)	100.0%	Zhengzhou, Henan	10/2012	173.10	91.88
Sub-total				1,337.51	754.82
Total				11,892.67	6,562.32

Note(1): "Interest attributable to us" represents our beneficial ownership in a project, including projects subject to financing arrangements. Under certain financing arrangements, we transferred a minority equity interest, the right to dividend and other profit distributions in relation to the equity interest and/or the right to benefit and revenue derived from specific investment properties, in the relevant project companies to the financing entities as security during the terms of the financing arrangements.

: The English names of the PRC entities or organizations marked "" are translations from their Chinese names and are for identification purposes only.

Leasing, Operation and Management of Investment Properties

“Order-Driven” Model and Pre-leasing Strategy

We implement an “order-driven” model. Under this “order-driven” model, we sign tenancy agreements with our anchor tenants prior to commencing construction of the shopping center in a Wanda Plaza to ensure a high pre-leasing rate. We then customize the store designs based on the needs of our anchor tenants to reduce the time required for them to improve and renovate the stores and to ensure a smooth opening. Following this unique model, we enjoy long standing relationships with many well-known domestic and international retailers and business partners, for which we are responsible for the construction and management of investment properties, while our partners agree to enter into long-term leases with us.

With certain tenants, we also enter into framework agreements outlining general rental rates based on the prevailing national average rental level, regardless of the geographical locations of Wanda Plazas, in order to shorten the negotiation process and accelerate tenant-sourcing for each particular project, which in turn enables us to secure high level of certainty of rental income for newly opened Wanda Plazas. We aim to achieve 100% occupancy upon opening for all of our projects by leveraging Wanda’s brand recognition and additional tenant sourcing capability. The majority of our Wanda Plazas will complete tenant-sourcing at least three months prior to their official openings, which are typically scheduled for less than 24 months from the time of land acquisition. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our investment properties’ occupancy rate was approximately 99.5%, 99.8%, 98.9% and 99.7%, respectively.

Tenant Pool and Tenant Management

We have built a high-quality and diverse tenant pool of over 1,900 brands as of June 30, 2013. A new brand has to pass our brand management panel’s review in order to enter into our brand bank, and all our tenants’ brands are classified into three categories, namely, anchor tenants who lease over 1,500 sq.m. of gross leasable area, anchor tenants who lease between 1,000 sq.m. to 1,500 sq.m. of gross leasable area, and other tenants. We actively optimize the brand mix of our tenant based on the positioning of each Wanda Plaza. The table below sets forth our top tenants in the first half of 2013 by rental income:

Rank	Tenant	Percentage of Property Rental Income in the First Half of 2013	Located in Number of Wanda Plazas
1	Wanda Department Store ¹	16.2%	61
2	Wanda Cinema Line ¹	3.4%	67
3	A leading PRC supermarket chain operator	2.6%	21
4	An American multinational retail chain operator	2.4%	15
5	A leading comprehensive indoor entertainment operator in China	2.3%	66
6	A leading electrical appliance retailer in China	2.2%	41
7	Superstar KTV ¹	1.8%	64
8	A PRC listed supermarket operator	1.4%	11
9	An international casual wear designer, manufacturer and retailer	1.1%	36
10	An international clothing and accessories retailer	0.8%	30

Note 1: Related parties to the Company.

We will monitor the customer flow and sales of our tenants to better review a tenant’s key performance indicators and plan our tenant replacement in advance if necessary. If certain tenant’s performance fails to meet our internal standards, we may not renew their tenancy. For more information, see “ — *Leasing Management.*”

Leasing Management

The average lease terms for our anchor tenants typically range from eight to fifteen years. In connection with longer-term leases, the tenancy agreements usually contain rent adjustment clauses with options to renew. Other leases generally have three- to five- year terms, some with options to renew.

Taking into consideration the prevailing market rental level of similar products and our internal return requirements, our internal lease management committee will set a rental level and other rental standards for each new project, upon which our business development team will enter into preliminary discussions with potential tenants. We proactively monitor the overall performance of our tenants and our properties. Generally, we will commence the lease renewal negotiation process six to eight months prior to a tenant's lease expiry. We will assess the tenant's past sales performance and whether the nature of its business fits into the overall strategy of the Wanda Plaza that this tenant is situated. Based on the results of our assessment, we will either renew the existing lease at a market comparable rental rate or commence pre-leasing negotiation with potential tenants. Depending on a tenant's industry, scale and performance, the rental rate may be determined by a fixed monthly rate, a variable rate that is linked to the total sales turnover of a tenant or both. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the average monthly rental rate of our investment properties was approximately CNY54.8 per sq.m., CNY61.7 per sq.m., CNY71.6 per sq.m. and CNY76.0 per sq.m., respectively. In addition, our tenants are generally charged a monthly management fee based on the size of the leased property, which covers building maintenance expenses and air-conditioning services. Tenants are required to pay their own utility charges.

In order to ensure timely collection of our rental income, we monitor our rental collection at three levels, the shopping center level, the project company level and the Company's senior management level. Our shopping center level management issue invoices to the tenants, while our project company level management track rental payments. In addition, our senior management will review the rental collection status on a monthly basis to ensure the collection rates.

Sales and Marketing

We host the "Wanda Group Annual Commercial Convention" ("萬達商業年會"), which is a major marketing platform for us to promote our commercial properties and source potential tenants. More than 10,000 companies attended our Wanda Commercial Conference in 2013. In addition, because we have established a high-quality tenant pool and enjoy long standing relationships with certain anchor tenants, we are able to select and invite tenants from our tenant pool directly and enter into preliminary discussions during the designing stage of a Wanda Plaza, which substantially reduces our time cost in sourcing new tenants and conducting marketing activities. We also host an online tenant sourcing channel on our website, through which the tenants may submit their inquiries and interests in our Wanda Plazas. In addition, we sponsor promotional activities from time to time, targeting the end consumers in our Wanda Plazas, in order to attract more consumer traffic and increase the overall performance and satisfaction of our tenants.

Hotel operations

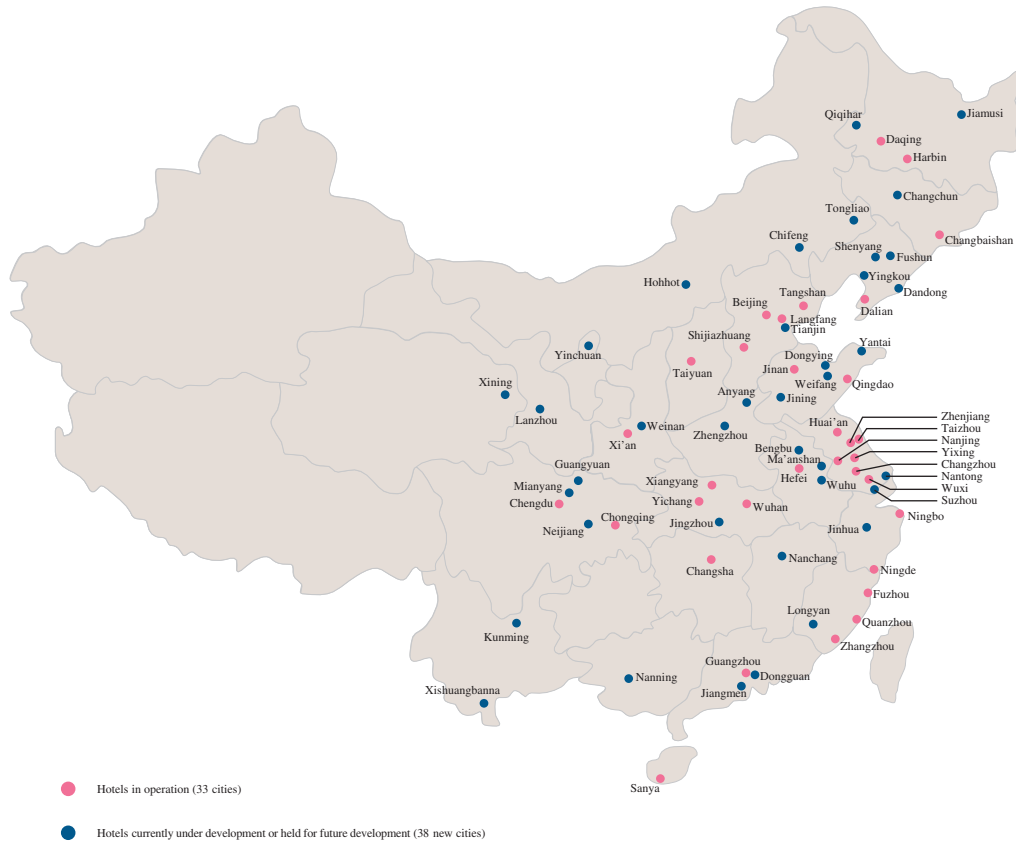
Hotel Portfolio

As of June 30, 2013, we had 39 hotels in China under operation, including 33 hotels managed by third-party hotel management companies and six hotels that are operated by us under our own brands. We cooperate with certain major hotel management groups that are experienced in managing up-scale hotels, including Starwood, Hyatt, InterContinental, Accor and Hilton. We launched our own hotel brands in 2012. Currently, we own three hotel brands, namely, Wanda Reign, Wanda Vista and Wanda Realm. Six of our hotels are operated under Wanda Vista and Wanda Realm brands, and we expect to open our first Wanda Reign hotel in 2014.

Our hotels have been widely recognized and awarded, which is evidenced by a series of awards we have received, including:

- "China's Outstanding Property Owner of 2012" and "China's Hotel Management Company (Group) with Most Development Potential of 2012" awarded in 2012 by China Hotel Association (中國飯店業協會);
- "Hotel Management Group with Most Potential in China of 2012" in 2013 awarded at the 8th China Hotel Starlight Award Presentation Ceremony which was organized by The Center of Asia Hotel Forum (亞洲酒店論壇中心) and China Hotel Starlight Award Review Committee; and
- "World Hotel • Continental Diamond — The Best Hotel Investment and Development Enterprise" awarded in 2012 at the 5th World Hotel Investment Summit which was organized by World Hotel Association.

The following map provides a geographic overview of our hotel portfolio as at June 30, 2013:



The table below sets forth our completed hotel portfolio as at June 30, 2013:

Hotel Name	Interest attributable to us ⁽¹⁾ (%)	Location	Actual opening date	Total GFA ('000 sq.m.)	Total number of guest rooms
Hotels operated by third party hotel management companies					
Chengdu Wanda Sofitel Hotel* (成都索菲特萬達大飯店)	100.0%	Chengdu, Sichuan	12/2003	39.02	262
Beijing Wanda Sofitel Hotel* (北京萬達索菲特大飯店)	100.0%	Beijing	08/2007	44.20	417
Harbin Wanda Sofitel Hotel* (哈爾濱萬達索菲特大飯店)	100.0%	Harbin, Heilongjiang	10/2007	43.69	324
Ningbo Wanda Sofitel Hotel* (寧波萬達索菲特大飯店)	100.0%	Ningbo, Zhejiang	12/2008	40.74	291
Beijing Wanda Pullman Hotel* (北京萬達鉅爾曼大飯店)	100.0%	Beijing	01/2009	40.83	312
Qingdao Wanda Le Méridien Hotel* (青島萬達艾美酒店)	100.0%	Qingdao, Shandong	11/2009	51.08	349
Chongqing Wanda Le Méridien Hotel* (重慶萬達艾美酒店)	100.0%	Chongqing	12/2009	43.69	319
Wuxi Wanda Sheraton Hotel* (無錫萬達喜來登酒店)	100.0%	Wuxi, Jiangsu	09/2010	40.15	350
Xiangyang Wanda Crowne Plaza Hotel* (襄陽萬達皇冠假日酒店)	100.0%	Xiangyang, Hubei	11/2010	35.17	302
Yichang Wanda Crowne Plaza Hotel* (宜昌萬達皇冠假日酒店)	100.0%	Yichang, Hubei	11/2010	39.12	283
Fuzhou Wanda Westin Hotel* (福州萬達威斯汀酒店)	100.0%	Fuzhou, Fujian	12/2010	50.81	305
Hefei Wanda Westin Hotel* (合肥萬達威斯汀酒店)	100.0%	Hefei, Anhui	12/2010	48.53	313
Sanya Wanda Conrad Hotel* (三亞萬達康萊德酒店)	100.0%	Sanya, Hainan	12/2010	23.40	101
Doubletree by Hilton Sanya Haitang Bay* (三亞萬達希爾頓逸林酒店)	100.0%	Sanya, Hainan	12/2010	57.18	475
Wuhan Wanda Westin Hotel* (武漢萬達威斯汀酒店)	100.0%	Wuhan, Hubei	07/2011	54.14	305
Zhenjiang Wanda Sheraton* (鎮江萬達喜來登酒店)	100.0%	Zhenjiang, Jiangsu	08/2011	43.29	289
Xi'an Wanda Hilton Hotel* (西安萬達希爾頓酒店)	100.0%	Xi'an, Shaanxi	08/2011	53.03	309
Guangzhou Wanda Hilton Hotel* (廣州萬達希爾頓酒店)	100.0%	Guangzhou, Guangdong	08/2011	43.83	311
Shijiazhuang Wanda InterContinental Hotel* (石家莊萬達洲際酒店)	100.0%	Shijiazhuang, Hebei	09/2011	46.08	287
Jinan Wanda Hyatt Hotel* (濟南萬達凱悅大酒店)	100.0%	Jinan, Shandong	09/2011	52.98	343
Langfang Wanda Doubletree by Hilton* (廊坊萬達希爾頓逸林酒店)	100.0%	Langfang, Hebei	11/2011	41.86	295
Nanjing Wanda Hilton Hotel* (南京萬達希爾頓酒店)	100.0%	Nanjing, Jiangsu	11/2011	48.92	350
Daqing Wanda Sheraton Hotel* (大慶萬達喜來登酒店)	100.0%	Daqing, Heilongjiang	11/2011	42.96	290
Taizhou Wanda Doubletree by Hilton* (泰州萬達希爾頓逸林酒店)	100.0%	Taizhou, Jiangsu	12/2011	38.71	253
Changzhou Wanda Sheraton Hotel* (常州萬達喜來登酒店)	100.0%	Changzhou, Jiangsu	12/2011	31.52	247

Hotel Name	Interest attributable to us ⁽¹⁾ (%)	Location	Actual opening date	Total GFA ('000 sq.m.)	Total number of guest rooms
Tangshan Wanda InterContinental Hotel* (唐山萬達洲際酒店)	100.0%	Tangshan, Hebei	12/2011	47.47	285
Dalian Wanda Conrad Hotel* (大連萬達康萊德酒店)	100.0%	Dalian, Liaoning	02/2012	34.43	210
Dalian Wanda Hilton Hotel* (大連萬達希爾頓酒店)	100.0%	Dalian, Liaoning	02/2012	65.21	370
Changbaishan Wanda Westin Hotel* (長白山萬達威斯汀酒店)	68.7%	Changbaishan, Jilin	07/2012	37.00	262
Changbaishan Wanda Sheraton Hotel* (長白山萬達喜來登酒店)	68.7%	Changbaishan, Jilin	07/2012	46.00	297
Changbaishan Wanda Holiday Inn Resort Hotel* (長白山萬達假日酒店)	68.7%	Changbaishan, Jilin	07/2012	49.47	368
Changbaishan Wanda Holiday Inn Suites Hotel* (長白山萬達套房假日酒店)	68.7%	Changbaishan, Jilin	07/2012	41.99	244
Yixing Wanda Le Méridien Hotel* (宜興萬達艾美酒店)	90.3%	Yixing, Jiangsu	05/2013	42.07	270
Hotels operated by us					
Wanda Vista Taiyuan* (太原文華酒店)	100.0%	Taiyuan, Shanxi	08/2012	52.43	350
Wanda Realm Ningde* (甯德嘉華酒店)	100.0%	Taiyuan, Shanxi	08/2012	40.79	289
Wanda Vista Quanzhou* (泉州文華酒店)	100.0%	Quanzhou, Fujian	09/2012	39.63	322
Wanda Vista Changsha* (長沙文華酒店)	100.0%	Changsha, Hunan	10/2012	70.04	424
Wanda Realm Zhangzhou* (漳州嘉華酒店)	100.0%	Zhangzhou, Fujian	10/2012	36.37	289
Wanda Realm Huai'an* (淮安嘉華酒店)	100.0%	Huai'an, Jiangsu	11/2012	45.86	229
Total				1,743.69	11,891

Note (1): "Interest attributable to us" represents our beneficial ownership in a project, including projects subject to financing arrangements. Under certain financing arrangements, we transferred a minority equity interest, the right to dividend and other profit distributions in relation to the equity interest and/or the right to benefit and revenue derived from specific investment properties, in the relevant project companies to the financing entities as security during the terms of the financing arrangements.

: The English names of the PRC entities or organizations marked "" are translations from their Chinese names and are for identification purposes only.

For the years ended 2010, 2011 and 2012 and the six months ended June 30, 2013, the total revenue from our hotel operations was CNY675 million, CNY1,539 million, CNY2,739 million and CNY1,521 million, respectively.

Hotel management

Hotels managed by third-party hotel management companies

We cooperate with a number of hotel management companies by entering into hotel management agreements and certain ancillary agreements with them.

Our hotel management agreements typically provide for a 10 to 20 year term and may be renewed for an additional five to ten years. We will pay management fees, incentive fees and group service fees to the hotel management companies. Generally, the hotel management fees range from 1.8% to 2.0% of our hotel total revenue and the group service fee ranges from approximately 1.0% to 4.0% of our total room revenue. In addition, as part of an incentive scheme, after achieving certain performance benchmarks, the hotel management companies may receive an incentive fee ranging from 4% to 8% of our hotel gross operating profit.

In order to maintain the fit and finish of our third-party managed hotels, we conduct refurbishments of our hotels in accordance with the hotel management agreements that we entered into.

Hotels managed by us under our own hotel brands

We have three self-owned hotel brands, namely, Wanda Reign, Wanda Vista and Wanda Realm. Wanda Reign is our top brand and will generally be located in gateway cities in China. Wanda Vista is our premium five-star brand and is usually located in provincial capital and regional centers. Wanda Realm is our five-star brand located in cities with growth potential. The hotels under our own brands are all operated and managed by one of our wholly-owned subsidiaries that specializes in and is dedicated to our hotel operation and management.

In order to maintain the fit and finish of the hotels under our own brands, we conduct refurbishments of our hotels when we deem appropriate, depending on the condition of our hotels and the market.

Facilities

The F&B outlets in our hotels are generally owned by independent third-party owners, while we maintain the overall management of F&B outlets as part of our hotel services.

Each of our hotels has its own meeting or function room facilities, which are made available to guests and external organizations/groups for parties, meeting and other functions. Most of our hotels also have larger meeting or function rooms to cater to MICE clients' needs. The meeting and function rooms can also be used for wedding banquets. We believe the availability of these meeting facilities will attract MICE clients to stay with us. We intend to build similar meeting facilities in some of our new hotels.

Our hotels are also equipped with internet and fitness and entertainment facilities, such as gym and swimming pools, which our hotel guests can use free of charge. In addition, our hotels are generally in proximity of shopping centers in Wanda Plaza and some of our hotels are located close to vacation resorts such as our hotels in Changbaishan, Jilin province and Sanya, Hainan province.

Sales and Marketing

Our guests may make reservations at our hotels through travel agents and tour operators as well as online and telephone bookings. We also welcome walk-in guests. In addition, to accommodate some companies with frequent business travelers, we also enter into special arrangements with these companies and offer them pre-agreed price for their employees to stay in our hotels. We promote and advertise our hotels by means of media and press coverage, online marketing campaign, billboard and television.

Internal project risk control

We implement a stringent internal control mechanism through the entire development and operation process to minimize the potential risks in a project. During the planning and designing stage, we have a dedicated project control team to control the quality, safety and implementation of the planning and designs. With regard to the development and construction process, we established a supervision system, whereby our senior management will

be automatically notified of the execution status of the third-tier deliverables, to enable our management to closely and strictly supervise the projects' construction quality, safety and progress. In addition, we control the standards and procurement of our construction and decoration materials to ensure our construction quality and compliance with the relevant laws and regulations in China, and to control our development costs.

To reduce risks relating to property sales, we maintain on-going communications with various departments and hold quarterly "sales mobilization" meeting to stay aware of the market condition and adjust our sales strategy and price as appropriate. Further, our senior management sets the general level of our properties' sales prices and leaves only limited room of discount to the local project companies to ensure our sales income.

In relation to managing and operating our investment properties, we control our tenant sourcing at the Company's senior management level through our centralized tenant sourcing channels to ensure that the tenants are of high-quality and that the tenant mixture is compatible with the positioning of a particular Wanda Plaza. We also proactively monitor the tenants' operating performance and are able to plan the replacement of under-performing tenants in advance before the tenants' business operation further deteriorates.

Customers

Properties for sales

We offer various sizes of our commercial properties for sale, including small-size and large-size offices, as a result, purchasers of our commercial properties are comprised of a wide variety of companies and individuals, including SMEs and high net wealth individuals. Purchasers of our residential units are generally first-time home buyers and up-graders.

Investment properties

Tenants of our investment properties primarily include well-known international and domestic retailers, cinemas, KTVs, supermarkets, department stores and restaurants. For example, our tenants include H&M, UNIQLO, ZARA and Wal-Mart.

Hotels

As our hotels are generally operated and managed by third-party hotel management companies or under our own brands, and are located in the major cities in a region, our hotels typically cater to MICE clients and guests seeking to hold events or stay in up-scale or above hotels, such as business persons and tourists.

Competition

We believe we are a pioneer and one of the few large-scale national players in the commercial property industry in China. Although we believe we face limited competition from other market players at a commercial property industry level, we face competition from businesses in different business segments. For example, we face competition from some of the property operators and developers that have recently entered the property development market in the PRC. They may have more financial and other resources than us and may be more sophisticated than us in terms of engineering, technical, marketing and management skills. With regard to our investment properties, we face competition from the surrounding shopping centers in the area where our shopping centers are located and any new supply of retail projects in the cities or regions where our shopping centers are located. In addition, we face competition from operators of hotels located in the vicinity of ours, local hotel chains and large international hotel chains. The competition to attract hotel customers is primarily based on the location of the hotel, room rate, property size, quality of rooms, amenities and facilities, customer brand recognition and loyalty, geographic coverage, quality of services provided, and relationship with third-party travel agents. For more information, see "*Risk factors — Intensified competition may adversely affect our business and financial position.*"

Intellectual property

We rely on a combination of copyright, trademark and domain name registrations to establish and protect our IT systems, brand names and logos, marketing designs and internet domain names. We have acquired copyrights for the core parts of our unique modularized IT systems that enable us to monitor and manage every aspect of our business operations more efficiently. Our principal brand names are registered trademarks in the PRC, and we have registered several domain names, including www.wanda.com.cn and www.wandaplazas.com.

As of the date of this Offering Circular, we do not believe that any individual property right or related group of intellectual property rights is of such importance that its expiration or termination would materially affect the business of the Company. As at the date of this Offering Circular, we are not aware of any infringement of our intellectual property rights by any third party.

Environmental and safety matters

We are subject to a number of environmental laws and regulations including the Environment Protection Law of the PRC (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), and Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Under these regulations, each property developed by us must undergo environmental assessments. An environmental impact study report needs to be submitted to the relevant government authorities before a property developer can begin the property development. Upon completion of any development, the relevant governmental authorities will also inspect the site to ensure that applicable environmental standards have been complied with, and the inspecting report is presented together with other specified documents to the local property administration authorities for their record. Our operations are also subject to inspections by government authorities with regard to various safety and environmental issues. We believe that we are in compliance in all material respects with applicable PRC environmental laws and regulations.

We are also subject to various PRC laws and regulations in respect of labor, insurance, accidents, health and safety, including the Labor Law of the PRC (《中國人民共和國勞動法》), the Labor 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》), the Regulations on Work-related Injury Insurances (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Trial Procedures for Childbirth Insurance of Enterprise Employees (《企業職工生育保險試行辦法》), Safety Production Law of the PRC (《中國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. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations and we generally do not carry insurance against personal injuries that may occur during property construction. To ensure the construction quality and safety, we have set up a set of standards and specifications with which the construction workers must comply with during the property construction. We engage qualified supervision companies to oversee the construction process. Under PRC laws, construction contractors bear civil liability for personal injuries arising out of construction work. However, they shall not be liable if the injury is caused by the willful conduct of the injured person.

Insurance

We maintain insurance policies with insurance companies in the PRC, which generally cover (a) property damage due to natural hazards, including lightning, typhoons, tornados, floods, landslides and other natural phenomena, and accidents, including fires and explosions and general liability under property all risk insurance and public liability insurance; (b) machinery loss and damage from defects in casting and material, faculty design, fault at workshop or in erection, bad workmanship, carelessness, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force and short-circuit under machinery breakdown insurance; and (c) indemnities resulting from temporary and permanent disablement and death, and expenses due to occupational disease and accidental medical expenses under the employer's liability insurance. As at the date of the Offering Circular, we had not experienced any significant loss or damage to our properties.

We believe our properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage, in line with industry practice.

Employees

At June 30, 2013, we had a total of approximately 42,000 full-time employees. In accordance with the relevant PRC laws and regulations, we contribute to social welfare insurance for our full-time employees in the PRC.

We are committed to recruiting, training and retaining skilled and experienced employees throughout our operations. We intend to achieve this by offering competitive remuneration packages as well as by focusing on training and career development. The comprehensive training system offered by our "Wanda Institute" covers the management, existing employees and new employees and caters to meet their different needs of trainings.

We encourage our employees to grow with us. We make great efforts to provide our employees with a dynamic work environment, active training programs, varied career development opportunities and a fair reward system that is aligned with their long-term performances.

Legal proceedings

From time to time we are involved in legal proceedings, claims or disputes in the ordinary course of business with our customers. Each of these proceedings is, in our view, immaterial in terms of their impact on the financial condition or operating results of our Group. At the date of the Offering Circular, there was no litigation or arbitration or claim pending or threatened against us or our Directors which could be expected to have a material adverse effect on our business, financial conditions and results of operations.

Recent development

As of December 31, 2013, we had a total GFA of 76.5 million sq.m. under development or held for future development.

During the year ended December 31, 2013, our contracted sales was approximately CNY126.3 billion and our contracted GFA was approximately 10,285,850 sq.m., representing an average selling price of approximately CNY12,275 per sq.m. We were ranked among the top three real estate developers in China in 2013 in terms of contracted sales according to China Real Estate Appraisal (中國房地產測評中心) and China Real Estate Information Corporation (中國房產信息集團).

During the period from July 1, 2013 to December 31, 2013, 14 Wanda Plazas were completed and commenced operation with an aggregate GFA of approximately 2.5 million sq.m. and a total leasable GFA of approximately 1.3 million sq.m. As of December 31, 2013, we had in operation a total of 85 completed Wanda Plazas with an aggregate GFA of approximately 14.4 million sq.m., and total leasable GFA of approximately 7.9 million sq.m. For the year ended December 31, 2013, the average monthly rental rate of our investment properties was approximately CNY73.0 per sq.m. with occupancy rate of 99.9%.

The table below sets forth the Wanda Plazas completed during the period from July 1, 2013 to December 31, 2013:

Names of project	Location	Interest attributable to us ⁽¹⁾ %	Actual opening date	Total GFA ('000 sq.m.)	Total leasable GFA ('000 sq.m.)
Chongqing Wanzhou Wanda Plaza* (重慶萬州萬達廣場)	Chongqing	100.0%	07/2013	145.40	73.82
Dongguan Chang'an Wanda Plaza* (東莞長安萬達廣場)	Dongguan, Guangdong	100.0%	07/2013	175.80	93.40
Shenyang Aoti Wanda Plaza* (瀋陽奧體萬達廣場)	Shenyang, Liaoning	100.0%	07/2013	166.30	86.77
Changchun Kuancheng Wanda Plaza* (長春寬城萬達廣場)	Changchun, Jilin	100.0%	08/2013	164.30	84.36
Harbin Haxi Wanda Plaza* (哈爾濱哈西萬達廣場)	Harbin, Heilongjiang	100.0%	09/2013	210.30	112.47
Changsha Kaifu Wanda Plaza* (長沙開福萬達廣場)	Changsha, Hunan	100.0%	09/2013	211.90	112.61
Wuhan Hanjie Wanda Plaza* (武漢漢街萬達廣場)	Wuhan, Hubei	100.0%	09/2013	134.50	84.14
Fushun Wanda Plaza* (撫順萬達廣場)	Fushun, Liaoning	100.0%	10/2013	179.50	97.29
Yuyao Wanda Plaza* (余姚萬達廣場)	Yuyao, Zhejiang	100.0%	11/2013	176.00	83.30
Xi'an Daminggong Wanda Plaza* (西安大明宮萬達廣場)	Xi'an, Shaanxi	100.0%	11/2013	189.30	93.60
Bengbu Wanda Plaza* (蚌埠萬達廣場)	Bengbu, Anhui	100.0%	11/2013	163.40	87.00

Names of project	Location	Interest attributable to us ⁽¹⁾ %	Actual opening date	Total GFA ('000 sq.m.)	Total leasable GFA ('000 sq.m.)
Xuzhou Wanda Plaza* (徐州萬達廣場)	Xuzhou, Jiangsu	100.0%	12/2013	192.00	92.30
Dandong Wanda Plaza* (丹東萬達廣場)	Dandong, Liaoning	100.0%	12/2013	167.70	91.36
Nanjing Jiangning Wanda Plaza* (南京江甯萬達廣場)	Nanjing, Jiangsu	100.0%	12/2013	195.50	95.64
Total				2,471.90	1,288.05

: The English names of the PRC entities or organizations marked "" are translations from their Chinese names and are for identification purposes only.

Note:

- (1) "Interest attributable to us" represents our beneficial ownership in a project, including projects subject to financing arrangements. Under certain financing arrangements, we transferred a minority equity interest, the right to dividend and other profit distributions in relation to the equity interest and/or the right to benefit and revenue derived from specific investment properties, in the relevant project companies to the financing entities as security during the terms of the financing arrangements.

During the period from July 1, 2013 to December 31, 2013, 15 hotels were completed and commenced operation with an aggregate GFA of approximately 0.6 million sq.m. and a total of 5,059 hotel rooms. As of December 31, 2013, we held a total of 54 completed hotels with an aggregate GFA of approximately 2.3 million sq.m. and 16,950 hotel rooms.

The table below sets forth the hotels completed during the period from July 1, 2013 to December 31, 2013:

Names of hotel	Location	Interest attributable to us ⁽¹⁾ %	Actual opening date	Total GFA ('000 sq.m.)	Total number of guest rooms
Wanzhou Doubletree by Hilton* (萬州希爾頓逸林酒店)	Wanzhou, Chongqing	100.0%	07/2013	37.40	257
Wanda Vista Shenyang Hunnan* (瀋陽渾南文華酒店)	Shenyang, Liaoning	100.0%	07/2013	51.70	300
Wanda Realm Fushun* (撫順嘉華酒店)	Fushun, Liaoning	100.0%	08/2013	39.10	280
Wanda Vista Tianjin* (天津文華酒店)	Tianjin	100.0%	08/2013	48.30	297
Wanda Realm Wuhan Central* (武漢中央嘉華酒店)	Wuhan, Hubei	100.0%	09/2013	41.50	408
Wanda Realm Harbin* (哈爾濱嘉華酒店)	Harbin, Heilongjiang	100.0%	09/2013	48.00	345
Changbaishan International Resort Park Hyatt* (長白山國際度假區 柏悅酒店)	Changbaishan, Jilin	68.7%	09/2013		167
Changbaishan International Resort Hyatt* (長白山國際度假區 凱悅酒店)	Changbaishan, Jilin	68.7%	09/2013		295
Changbaishan Wanda Holiday Inn Express A* (長白山萬達假日快捷酒店A)	Changbaishan, Jilin	68.7%	11/2013	200.00 ⁽²⁾	
Changbaishan Wanda Holiday Inn Express B* (長白山萬達假日快捷酒店B)	Changbaishan, Jilin	68.7%	11/2013		1,000 ⁽³⁾
Changbaishan Wanda Ibis* (長白山萬達宜必思尚品酒店)	Changbaishan, Jilin	68.7%	11/2013		500
Wanda Realm Nanchang Honggutan* (南昌紅谷灘嘉華酒店)	Nanchang, Jiangxi	100.0%	12/2013	35.10	300
Wanda Realm Yinchuan Xixia* (銀川西夏嘉華酒店)	Yinchuan, Ningxia	100.0%	12/2013	39.00	305
Wanda Realm Dandong* (丹東嘉華酒店)	Dandong, Liaoning	100.0%	12/2013	42.10	302
Wanda Realm Nanjing Jiangning* (南京江甯嘉華酒店)	Nanjing, Jiangsu	100.0%	12/2013	41.60	303
Total				623.80	5,059

: The English names of the PRC entities or organizations marked “” are translations from their Chinese names and are for identification purposes only.

Notes:

- (1) “Interest attributable to us” represents our beneficial ownership in a project, including projects subject to financing arrangements. Under certain financing arrangements, we transferred a minority equity interest, the right to dividend and other profit distributions in relation to the equity interest and/or the right to benefit and revenue derived from specific investment properties, in the relevant project companies to the financing entities as security during the terms of the financing arrangements.
- (2) 200,000 sq.m. is the total GFA of Changbaishan International Resort Park Hyatt, Changbaishan International Resort Hyatt, Changbaishan Wanda Holiday Inn Express A, Changbaishan Wanda Holiday Inn Express B and Changbaishan Wanda Ibis.
- (3) 1,000 is the total number of guest rooms of Changbaishan Wanda Holiday Inn Express A and Changbaishan Wanda Holiday Inn Express B.

As of December 31, 2013, we plan to open 46 new Wanda Plazas and 40 new hotels in China in 2014 and 2015.

Description of material indebtedness and other obligations

To fund our existing property development projects and to finance our working capital requirements, we and our subsidiaries, have entered into loan agreements with various financial institutions. We set forth below a summary of certain of these loans and other indebtedness.

CNY135,575 million PRC loans

As of June 30, 2013, we had CNY135,575 million in Renminbi-denominated loans outstanding, of which CNY114,578 million is secured by our properties.

Customer guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Our mortgage guarantees are issued from the dates of grant of the relevant mortgage loans and released upon receiving the building ownership certificate of the respective properties by the banks from the purchasers as a pledge for security to the mortgage loans granted. As of June 30, 2013, we had provided an aggregate CNY42,155 million in guarantees to our customers.

HK\$700 million banking facility

On July 17, 2013, Wanda HK entered into a HK\$700 million banking facility with The Hongkong and Shanghai Banking Corporation Limited for purpose of financing Wanda HK's acquisition of the Hong Kong Listco, which was formerly named as Hengli Commercial Properties (Group) Limited, and related miscellaneous expenses associated. This facility includes a revolving loan with a limit up to HK\$690 million and treasury facilities with a limit up to HK\$10 million. The revolving loan is repayable in one year and is subject to an annual interest rate of 1.2% over HIBOR. A CNY standby documentary credit for HK\$724.5 million will be issued by HSBC Bank (China) Company Limited, Beijing Branch to secure Wanda HK's performance of its obligations under this banking facility.

2013 Guaranteed Bonds due 2018

On November 21, 2013, the 2013 Issuer issued US\$600 million of 2013 Guaranteed Bonds, which are unconditionally and irrevocably guaranteed by Wanda HK, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited. The 2013 Guaranteed Bonds bear interest rate at the rate of 4.875% per annum. The 2013 Guaranteed Bonds are listed on the Hong Kong Stock Exchange and will mature on November 21, 2018. The 2013 Guaranteed Bonds have the benefit of a keepwell deed and a deed of equity interest purchase undertaking entered into by the Company as described below.

Keepwell Deed

On November 21, 2013, the 2013 Issuer, Wanda HK and the Company entered into a keepwell deed with The Bank of New York Mellon, London Branch as trustee, under which the Company undertook that it would, directly or indirectly, own and hold all the outstanding shares of each of the 2013 Issuer and Wanda HK, and would not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any shares. In addition, the Company also undertook to cause each of the Issuer and Wanda HK to have a Consolidated Net Worth of at least US\$1.00 at all times; each of the Issuer and Wanda HK to have sufficient liquidity to ensure timely payment by each of the Issuer and Wanda HK of any amounts payable in respect of the 2013 Guaranteed Bonds and the guarantee of such bonds; and Wanda HK to have an aggregate total equity of at least HK\$1,000,000,000 at all times. The keepwell deed does not constitute a guarantee by the Company of the payment of any obligations of the 2013 Issuer or Wanda HK.

Deed of Equity Interest Purchase Undertaking

The Company and The Bank of New York Mellon, London Branch as trustee entered into a deed of equity interest purchase undertaking on November 21, 2013, pursuant to which the Company agreed to purchase, either by itself or through a PRC incorporated subsidiary of the Company, all or certain equity interests held by a guarantor or any offshore subsidiary of the Company upon receiving a written purchase notice from The Bank of New York Mellon, London Branch as trustee.

Interest Reserve Account

The 2013 Issuer entered into an interest reserve account agreement on November 21, 2013 with The Bank of New York Mellon, London Branch as trustee and the account bank, pursuant to which the 2013 Issuer deposited US\$29,250,000, equivalent to the interest amount in respect of two interest periods on the 2013 Guaranteed Bonds, into the interest reserve account on November 21, 2013. For the life of the 2013 Guaranteed Bonds, subject to certain exceptions, the 2013 Issuer is required to maintain a credit balance in the interest reserve account that is equal to the prescribed amount.

Directors and management

Board of Directors

The following table sets forth certain information with respect to our board of directors (our “Board”) as of the date of this Offering Circular.

Name	Age
<i>Executive Directors</i>	
Mr. DING Benxi (丁本錫)	58
Mr. QI Jie (齊界)	47
Mr. ZHANG Lin (張霖)	41
Mr. QU Dejun (曲德君)	49
Mr. YIN Hai (尹海)	50
<i>Non-executive Director</i>	
Mr. WANG Guiya (王貴亞)	49
<i>Independent Directors</i>	
Mr. LIU Jipeng (劉紀鵬)	57
Mr. XUE Yunkui (薛雲奎)	49
Mr. BA Shusong (巴曙松)	44

Our Board consists of nine Directors, one of whom is a Non-executive Director and three of whom are Independent Directors. Our Independent Directors are professionals from the fields of economics, finance and accounting. The main powers and duties of our Board include: convening shareholders’ meetings and reporting the Board’s work at the shareholders’ meetings and implementing the resolutions passed at the shareholders’ meetings, determining our business and investment plans, formulating the budget plan for each fiscal year, determining internal structure and fundamental management policies, overseeing the management and making decisions in the best interest of the Company. Our Directors are elected at our annual shareholders’ meetings, renewable upon re-election and re-appointment. We have entered into service contracts with each of our Executive Directors.

Biographical Details

Executive Directors

Mr. DING Benxi (丁本錫), aged 58, is an Executive Director of the Company. Mr. Ding has been an Executive Director of our Company since 2009. In December 2012, Mr. Ding was appointed as the Chairman of the Company. Mr. Ding also serves as President of Wanda Group. Mr. Ding joined Wanda Group in 2001 and has served in various positions in Wanda Group and our Group, including, among others, General Manager of Dalian Wanda Group Business Development Company Limited and Senior Vice President of Wanda Group. Prior to joining Wanda Group, Mr. Ding served as the General Manager of Hong Kong Yifeng Group Property Investment Company (香港益豐集團房地產投資公司), Chairman and General Manager of Dalian Fengyuan Real Estate Development Company Limited (大連豐源房地產開發有限公司) and Assistant to General Manager of Dalian Ocean Shipping Company (大連遠洋運輸公司) from 1976 to 2001. Mr. Ding obtained his Bachelor’s Degree in Economic Management from Renmin University of China (中國人民大學).

Mr. QI Jie (齊界), aged 47, is an Executive Director of the Company. Mr. Qi has been an Executive Director and Executive President of the Company since December 2012. Mr. Qi joined Wanda Group in 2000 and has served various positions in our Group, including, among others, General Manager of the Audit Department, Assistant to the Chairman, General Manager of Cost-control Department of the Company and Vice President and General Manager of North Project Management Center of our Company. Before that, Mr. Qi worked as a lecturer and then an associate professor at Liaoning Taxation Junior College (遼寧稅務高等專科學校) and the Head of the Dalian Zhengnan CPA Co., Ltd. Bonded Area Branch (大連正安會計師事務所有限公司保稅區分所). Mr. Qi received his Master’s Degree in Science and Technology Management from Dalian University of Technology (大連理工大學).

Mr. ZHANG Lin (張霖), aged 41, is an Executive Director of the Company. Mr. Zhang has been an Executive Director of the Company since 2009. Mr. Zhang is also the Executive President of Beijing Dalian Wanda Cultural Industry (Group) Company Limited. Mr. Zhang joined Wanda Group in 2002 and has served various positions in our Group, including, among others, Chief Financial Officer, Assistant to the Chairman and Vice President of our Company. Before that, Mr. Zhang worked as the Deputy Head of Dalian Bonded Area Accounting Firm (大連保稅區會計師事務所) and Deputy Head of Dalian North Tax Agency (大連北方稅務師事務所) from 1997 to 2002. Mr. Zhang received his Master's Degree in Accounting from Dongbei University of Finance and Economics (東北財經大學). Mr. Zhang is a Certified Public Accountant and a Certified Tax Agent in the PRC.

Mr. QU Dejun (曲德君), aged 49, is an Executive Director of the Company. Mr. Qu has been an Executive Director of the Company since December 2012. Mr. Qu joined Wanda Group in 2002 and has served various positions in our Group, including, among others, General Manager of Wanda Commercial Management Company Limited. Prior to joining Wanda Group, Mr. Qu worked as staff member at the Finance Department of Dalian Municipal Foreign Trade and Economic Cooperation Bureau (大連市對外貿易和經濟合作局), Assistant to General Manager of Hong Kong Dalian International Development Company Limited (香港大連國際發展有限公司) and Chief Financial Officer of Dalian Huasheng Foreign Trade Investment Company Limited (大連華晟外經貿投資有限公司) from 1986 to 2002. Mr. Qu obtained his Master's Degree in Finance Management from Dongbei University of Finance and Economics.

Mr. YIN Hai (尹海), aged 50, is an Executive Director of the Company. Mr. Yin has been an Executive Director of the Company since December 2009. Mr. Yin joined Wanda Group in 1993 and has served various positions in Wanda Group, including, among others, Manager of the Finance Department, Assistant to the Chairman and Vice President of Wanda Group. Mr. Yin obtained his Master's Degree in Accounting from Dongbei University of Finance and Economics. Mr. Yin is a senior accountant in the PRC.

Non-executive Director

Mr. WANG Guiya (王貴亞), aged 49, has been the Non-executive Director of our Company since December 2009. Mr. Wang has been the Controller of Investment and Wealth Management of China Construction Bank Corporation (中國建設銀行股份有限公司) since March 2011. Mr. Wang began his career with the China Construction Bank Corporation in 1984. From July 2000 to August 2006, he served as the Deputy Manager and General Manager of the Planning and Finance Department of China Construction Bank Corporation. After that, he was appointed as the General Manager of the Investment Banking Department in August 2006 and concurrently served as the Chairman of China Construction Bank International (Holdings) Ltd. (建銀國際(控股)有限公司), from January 2007. Mr. Wang is an executive member of the General Council of Banking Accounting Society of China (中國金融會計學會). Mr. Wang graduated from Anhui University (安徽大學) with a Bachelor's Degree, majoring in Applied Mathematics and received a Master's Degree in Business Administration from Peking University (北京大學). Mr. Wang is a Senior Economist in the PRC.

Independent Directors

Mr. LIU Jipeng (劉紀鵬), aged 57, has been an Independent Director of the Company since December 2009. Mr. Liu is the Director and Mentor of PhD Candidates at the Law and Economics Research Centre at China University of Political Science and Law (中國政法大學法與經濟研究中心), the Director of the Capital Research Center at the China University of Political Science and Law (中國政法大學資本研究中心) and Vice Chairman of the China Enterprise Reform and Development Institute (中國企業改革和發展研究會). Mr. Liu is also an Independent Director of CNNC Hua Yuan Titanium Dioxide Co., Ltd. (中核華原鈦白股份有限公司) (Shenzhen Stock Code: 002154), AVIC Capital Co., Ltd. (中航投資控股股份有限公司) (Shanghai Stock Code: 600705) and Oceanwide Real Estate Group Co., Ltd. (泛海建設集團股份有限公司) (Shenzhen Stock Code: 000046). Mr. Liu graduated from the Capital University of Economics and Business (首都經濟貿易大學) (formerly known as Beijing Economics College (北京經濟學院)) with a Bachelor's Degree majoring in Economics and received a Master's Degree in Economics at the Graduate School of China Academy of Social Science (中國社會科學院研究生院). Mr. Liu is a non-practicing member of the China Association of Certified Public Accountants and a Senior Economist in the PRC.

Mr. XUE Yunkui (薛雲奎), aged 49, has been an Independent Director of the Company since December 2009. From 1998 to 1999, Mr. Xue was the Deputy Dean of the Accounting School at Shanghai University of Finance and Economics (上海財經大學). From 1999 to 2002, Mr. Xue served as the Founding Deputy Dean of Shanghai National Accounting Institute (上海國家會計學院). He has been the Deputy Dean of Cheung Kong Graduate School of Business since 2002. Mr. Xue is also an Independent Director of Shanghai Metersbonwe Fashion and Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司) (Shenzhen Stock Code: 002269) and Shanghai Shentong Metro Co., Ltd. (上海申通地鐵股份有限公司) (Shanghai Stock Code: 600839). Mr. Xue graduated from Southwest University of Finance and Economics (西南財經大學) with a Bachelor's Degree majoring in Accounting in 1984. Mr. Xue received his Doctoral Degree from the University of the Southwest (西南大學) and completed his post-doctoral research at the Shanghai University of Finance and Economics. Mr. Xue is the Vice Chairman of Teaching Steering Committee of National Accounting Institute (國家會計學院教學指導委員會) and Vice Chairman of Shanghai Municipal Committee of Judicial Accounting Appraisal Experts (上海市會計鑒定專家委員會). Mr. Xue is a non-practicing member of the China Association of Certified Public Accountants.

Mr. BA Shusong (巴曙松), aged 44, has been an Independent Director of the Company since December 2009. Mr. Ba is the Deputy Director of the Finance Research Institute of Development Research Center of the State Council of the PRC (國務院發展研究中心金融研究所), Chief Economist of China Banking Association (中國銀行業協會), Deputy Secretary General of China Society of Macroeconomics (中國宏觀經濟學會), a member of the China Securities Regulatory Commission Fund Appraisal Committee (中國證券監督委員會基金評議專家委員會) and a member of the China Banking Regulatory Commission Expert Examination Board (中國銀行業監督委員會專家考試委員會). Mr. Ba was an Independent Director of Da An Gene Co., Ltd. of Sun Yat-Sen University (中山大學達安基因股份有限公司) (Shenzhen Stock Code: 002030) from 2004 to 2010, an Independent Director of Industrial Bank Co., Ltd. (興業銀行股份有限公司) (Shanghai Stock Code: 601166) from 2005 to 2012, and an Independent Director of Shanghai Wisdom Co., Ltd. (上海大智慧股份有限公司) (Shanghai Stock Code: 601519) from 2005 to 2012. Mr. Ba received his Bachelor's Degree in Dynamic Engineering and Master's Degree in Western Economics from Huazhong University of Science and Technology (華中科技大學) in 1991 and 1994, respectively. Mr. Ba obtained his Doctoral Degree in National Economics from Central University of Finance and Economics (中央財經大學) and was a post-PhD graduate of Peking University.

Senior Management

Our senior management is responsible for the day-to-day operation of our business. The following table sets forth certain information concerning our senior management personnel:

Name	Age
Mr. DING Benxi (丁本錫)	58
Mr. QI Jie (齊界)	47
Mr. QU Dejun (曲德君)	49
Mr. CHEN Ping (陳平).....	50
Mr. NING Qifeng (寧奇峰).....	48
Mr. CHENG Erjun (成爾駿).....	47
Mr. QU Xiaodong (曲曉東)	39
Mr. YU Xiuyang (于修陽)	40
Mr. LIU Haibo (劉海波)	43
Mr. LAI Jianyan (賴建燕).....	49
Mr. LIU Chaohui (劉朝暉).....	41

Biographical Details

For biographical details of Mr. DING Benxi (丁本錫), Mr. QI Jie (齊界) and Mr. QU Dejun (曲德君), please refer to sub-section headed “— Board of Directors” in the above section.

Mr. CHEN Ping (陳平), aged 50, is a Vice President of the Company. Mr. Chen joined Wanda Group in 2001 and has served in various positions in Wanda Group and our Group, including, among others, Deputy Manager of Dalian Wanda Group Properties Management Company Limited and Vice President of Wanda Group. Mr. Chen began his career with the Research Institute of China North Industries Group Corporation (中國兵器工業集團公司) (formerly known as Ministry of Ordnance Industry (中國兵器工業部)) as an engineer. He also served as the Deputy Manager of China Vanke Co., Ltd. Beijing Branch (萬科企業股份有限公司北京分公司). Mr. Chen graduated from South China University of Technology (華南理工大學) with a Bachelor's Degree in Architectural Structurology.

Mr. NING Qifeng (寧奇峰), aged 48, is a Vice President of the Company. Mr. Ning joined Wanda Group in 2002 and has served in various positions in our Group, including, among others, Deputy Manager of Dalian Wanda Group Business Development Company Limited and General Manager of Wanda Hotels Construction Company Limited. Prior to joining Wanda Group, Mr. Ning taught at Chang'an University (長安大學) (formerly known as Northwest Architecture Engineering Institute (西北建築工程學院)) and Xi'an Jiaotong University (西安交通大學), and was subsequently appointed as Dean of Jingye Architecture Design Institute of Xi'an Jingye Construction Group Corporation (西安敬業建設集團敬業設計院) and served as the Chief Architect of Urban and Rural Planning and Design Institute of Guangdong Province Shenzhen Branch (廣東省城鄉規劃設計院深圳分院). Mr. Ning obtained his Doctoral Degree in Architecture from Tongji University (同濟大學).

Mr. CHENG Erjun (成爾駿), aged 47, is a Vice President of the Company. Mr. Cheng joined the Company in February 2012 as a Vice President of the Company. From 1990 to 1996, Mr. Cheng served with Nanjing Jinling Hotel (南京金陵飯店). In 1996, Mr. Cheng began to work with China Jin Mao Group Co., Ltd. (中國金茂(集團)有限公司), where he held positions of Deputy Manager of Grand Hyatt Shanghai Hotel, General Manager of Hotel Management Department, Assistant to Chairman and Vice President. Mr. Cheng obtained his Bachelor's Degree in Economics and Master's Degree in Law from Nanjing University (南京大學). He also holds an Executive Master of Business Administration Degree from China Europe International Business School.

Mr. QU Xiaodong (曲曉東), aged 39, is a Vice President of the Company. Mr. Qu is also the General Manager of the South Project Management Center of our Company. Mr. Qu joined Wanda Group in 2002 and has served in various positions in our Group, including, among others, Deputy Manager of Project Management Center and General Manager of Sales and Marketing Center of the Company. From 1997 to 2002, Mr. Qu served as Planning Supervisor or Manager of Sales and Marketing Department of various companies within the real estate industry in Beijing, including Beijing Junhe Sifang Properties Consulting Company Limited (北京君和四方房地產諮詢有限公司), Beijing Pengrun Real Estate Development Company Limited (北京鵬潤房地產開發有限公司), Beijing Huayuan Real Estate Development Company Limited (北京華遠房地產開發有限公司) and Beijing Yili Real Estate Agency Company Limited (北京億利房地產經紀有限公司). Mr. Qu received his Bachelor's Degree in Real Estate Operation and Management from Liaoning University (遼寧大學).

Mr. YU Xiuyang (于修陽), aged 40, is a Vice President of the Company. Mr. Yu is also the General Manager of North Project Management Center of our Company. Mr. Yu joined Wanda Group in 2002 and has served in various positions in our Group, including, among others, Assistant to the Chairman and General Manager of the Cost-control Department of the Company. He was appointed as a Vice President of the Company in April 2013. Mr. Yu joined the Fourth Construction Company Limited of China Construction First Building (Group) Corporation Limited (中國建築一局(集團)有限公司第四建築有限公司) in 1995, where he served until 2002. Mr. Yu received his Bachelor's Degree in Industrial Engineering from Dongbei University (東北大學).

Mr. LIU Haibo (劉海波), aged 43, is a Vice President of the Company. Mr. Liu joined the Company in June 2010 and has served various positions in the Company, including, among others, General Manager of Southern China Region of the Development Department and General Manager of the Development Department of the Company. Mr. Liu was appointed as a Vice President of the Company in September 2013. Prior to joining the Company, Mr. Liu worked with Beijing University of Aeronautics and Astronautics (北京航天航空大學) from 1991 to 1994. From 1994 to 2010, Mr. Liu served with Eton Properties (Xiamen) Co., Ltd. (裕景興業(廈門)有限公司). Mr. Liu obtained his Master's Degree in Management from Xiamen University (廈門大學).

Mr. LAI Jianyan (賴建燕), aged 49, is a Vice President of the Company. Mr. Lai joined Wanda Group in 2007 and has served in various positions in our Group, including, among others, President and Vice President of Wanda Commercial Planning and Research Institute Co., Ltd. and Senior Assistant to Chairman of the Company. Prior to joining Wanda Group, Mr. Lai worked with various architecture designing institutes, including Beijing Institute of Architecture Design (北京市建築設計研究院), Zhongwei Institute of China Academy of Building Research (中國建築技術研究院中緯所), The 8th Institute of China Architecture Design & Research Group (中

國建築設計院八所) and the Architecture Institute of China Academy of Urban Planning & Design (中國城市規劃設計研究院建築所). Mr. Lai is a senior architect and a class one registered architect in the PRC. Mr. Lai received his Bachelor's Degree in Architecture from Beijing University of Civil Engineering and Architecture (北京建築大學) (formerly known as Beijing Architecture and Engineering College (北京建築工程學院)).

Mr. LIU Chaohui (劉朝暉), aged 41, is the Secretary of Board of the Company. Mr. Liu is also a Senior Assistant to the Chairman and General Manager of Investment Management Center of the Wanda Group. Mr. Liu joined Wanda Group in 2002 and has served various positions in Wanda Group including, among others, General Manager of Investment and Securities Department of the Company. Prior to joining Wanda Group, Mr. Liu served with China Construction Bank Xiamen Branch (中國建設銀行廈門市分行) from 1996 to 2001. Mr. Liu received his Master's Degree in Economics and Doctoral Degree in Management from Xiamen University.

Committees

Strategic Committee

The Strategic Committee was formed in December 2012 and currently comprise three members, namely, Mr. Ding Benxi (the Chairman of the Strategy Committee), Mr. Qi Jie and Mr. Liu Jipeng. Except for Mr. Liu Jipeng, who is an Independent Director, both of the other two members are Executive Directors.

The main responsibilities of the Strategic Committee are to research and advise on the long-term strategy, goals and objectives of the Company, research and advise on important investment plans, financing plans and capital and asset management plans to be reviewed and authorized by the Board or at the general meetings of the shareholders, research and advise on other important issues which may have an impact on the Company's operations and monitor and measure Company's progress in realizing its strategies, goals and plans.

Audit Committee

The Audit Committee was formed in December 2012 and currently comprises three members, namely, Mr. Xue Yunkui (the Chairman of the Audit Committee), Mr. Liu Jipeng and Mr. Ding Benxi. Except for Mr. Ding Benxi, who is an Executive Director, both of the other two members are Independent Directors.

The main responsibilities of the Audit Committee are to select, nominate and replace external auditors, oversee the compliance of internal auditing policies, coordinate the correspondence between external auditors and our finance department, review the consolidated financial statements and the external auditor's report, review and advise on the internal control standards, provide opinions on the evaluation and replacement of general manager and deputy managers of the finance department.

Nomination Committee

The Nomination Committee was established in December 2012 and currently comprises three members, namely, Mr. Liu Jipeng (the Chairman of the Nomination Committee), Mr. Xue Yunkui and Mr. Yin Hai. Except for Mr. Yin Hai, who is an Executive Director, both of the other two members are Independent Directors.

The main responsibilities of the Nomination Committee are to research on and propose election standards and procedures of Directors and Chairman of the Company, identify individuals suitably qualified to become Directors and Chairman and evaluate the skills, knowledge and experience of candidates, and review the structure of various special committees and make recommendations for individuals to be approved by the Board.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee was formed in December 2012 and currently comprises three members, namely, Mr. Ba Shusong (the Chairman of the Remuneration and Evaluation Committee), Mr. Xue Yunkui and Mr. Yin Hai. Except for Mr. Yin Hai, who is an Executive Director, both of the other two members are Independent Directors.

The main responsibilities of the Remuneration and Evaluation Committee are to support and advise the Board regarding our evaluation policies of Directors and senior management, evaluate and advise on the performance of Directors and senior management, review the remuneration policy, and the formulation and review

of the specific remuneration packages of our Directors and senior management and determine their remuneration and compensation packages, promulgate and manage the long-term share option incentive plan, if any, review the level of pay-raise, fringe benefits and discretionary bonus to the general staff and make amendment to our remuneration policies according to market changes and needs of our Company.

Directors' interests in the Company

As of December 31, 2013, the interests of the Directors in the shares of the Company as recorded in the register kept by the Company were as follows:

Interests in the shares of the Company

Name of Director	Nature of interest	Number of Shares held	Percentage of holding (%)
Mr. DING Benxi	Beneficial interest	50,000,000	1.338%
Mr. QI Jie	Beneficial interest	6,000,000	0.161%
Mr. ZHANG Lin.....	Beneficial interest	6,000,000	0.161%
Mr. QU Dejun	Beneficial interest	6,000,000	0.161%
Mr. YIN Hai	Beneficial interest	12,000,000	0.321%

Note: The percentage in the table above was calculated based on 3,736,000,000 shares of the Company in issue as of December 31, 2013.

Substantial shareholders

As of December 31, 2013, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company, or who is directly and/or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company:

Name of shareholders	Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of shareholdings to the issued share capital of our Company as at December 31, 2013
Mr. WANG Jianlin and his family ⁽¹⁾	Beneficial interest	2,427,900,000	65.0%
Dalian Wanda Group Co., Ltd	Beneficial interest	1,979,000,000	53.0%
China Construction Bank International Capital (Tianjin) Co., Ltd.....	Beneficial interest	194,000,000	5.2%
Mr. SUN Xishuang	Beneficial interest	193,000,000	5.2%

Notes:

- ⁽¹⁾ Mr. WANG Jianlin is deemed to be interested in the shares of the Company through his interest in (i) Dalian Wanda Group Co., Ltd, in which Mr. WANG Jianlin directly and indirectly owns 100% of its equity interest; and (ii) his direct equity interest in the Company of 304,900,000 shares.
- ⁽²⁾ The percentage in the table was calculated based on 3,736,000,000 shares of the Company in issue as of December 31, 2013.

PRC Regulations

Regulations Overview

PRC property developers must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations.

In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, property financing, taxation, foreign exchange and foreign investment. Through these policies and measures, the PRC government may restrict or reduce the land available for property development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes, such as property tax, impose levies on property sales and restrict foreign investment in the PRC property sector.

Over the past few years, the PRC government has announced a series of measures designed to stabilize the PRC economy and cool down the property market. For example, on May 19, 2010, the PRC government issued policies to enhance the enforcement of the Land Appreciation Tax (the “LAT”). On September 29, 2010, The People’s Bank of China (中國人民銀行) (the “PBOC”) and China Banking Regulatory Commission (中國銀行業監督管理委員會) (the “CBRC”) jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies, which (i) raised the minimum down payment to 30 per cent, for all first residential property purchases with mortgage loans and; (ii) required commercial banks in China to suspend mortgage loans to customers for their third and subsequent residential property purchases or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period. On January 26, 2011, the General Office of the State Council (中華人民共和國國務院辦公廳) issued a new notice to further regulate the property market, which among other measures increased the minimum down payment for second residential property purchases from 50 per cent, to 60 per cent, and levied business tax on ordinary residential properties transferred within five years from the purchase date. On April 2011, the PBOC further raised the benchmark one-year deposit and lending rates by an additional 0.25 per cent, to 3.25 per cent, and 6.31 per cent., respectively. The reserve requirement ratio for commercial banks was raised six times and reduced once in 2011, with the ratio ranging from 17.5 per cent, to 21 per cent., effective from December 5, 2011. On June 8, 2012 and July 6, 2012, the PBOC reduced the benchmark one-year lending rate twice in one month. As at the date of this Offering Circular, the benchmark one-year lending rate is 6.00 per cent. The reserve requirement ratio for commercial banks was also reduced twice in 2012, with the ratio ranging from 16.5 per cent, to 20.0 per cent., effective from May 18, 2012. In addition, local governments in certain cities, such as Beijing, Shanghai, Suzhou, Wuxi, Haikou, Tianjin, Chengdu and Wuhan, have promulgated policies to limit the maximum number of residential properties which may be purchased by a family. The PRC government has also launched new property tax schemes on a trial basis in Shanghai and Chongqing.

Intra-Group Lending

According to Section 61 of the General Principles of Loans (《貸款通則》) promulgated by the PBOC in 1996, lending and capital raising among non-financial institutions is prohibited. There is a risk that intra-Group lending may be deemed not in compliance with the General Principles of Loans, and the PBOC could cancel the certain intra-Group loans and impose a fine equal to one to five times of its interest income accrued from such loans.

PRC Regulation on Land Supply

PRC government regulations and policies may impair the Company’s ability to obtain a sufficient number of sites or retain sites suitable for property developments. The Company derives the majority of its revenue from the sale of properties it developed in China. This revenue stream is dependent on the Company’s ability to complete and sell its property developments. To grow or maintain its business in the future, the Company will be required to replenish its land reserve with suitable sites for developments. The Company’s ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond its control.

The PRC government controls substantially all of the country’s land supply, and regulates the means by which property developers, including the Company, obtain land sites for property developments. As a result, the PRC government’s land supply policies affect the Company’s ability to acquire land use rights for sites that the Company identifies and the costs of land acquisition. Although these regulations do not prevent privately held land

use rights from being traded in the secondary market, the PRC government's policy to grant state-owned land use rights through a bidding system has caused an increase in the acquisition cost of land reserves in the PRC. If the Company fails to acquire sufficient land reserves in a timely manner and at acceptable prices, or at all, its business prospects, financial condition and results of operations may be materially and adversely affected.

The PRC government has adopted a number of initiatives to control the growth of China's residential property sector and to promote the development of affordable housing. For example: (1) one of these initiatives requires local governments, when approving new residential projects after June 1, 2006, to ensure that at least 70 per cent, of their annual land supply (in terms of estimated GFA) consists of units that are smaller than 90 sq.m.; (2) in an announcement made on May 30, 2006, The Ministry of Land and Resources of the People's Republic of China (中華人民共和國國土資源部) (the "MLR") stated that land supply priority shall be given to ordinary commodity houses at middle to low prices and of medium to small sizes (including affordable housing); (3) pursuant to the "Catalogue of Restricted Use of Land (2012 Version)" and the "Catalogue of Prohibited Use of Land (2012 Version)" issued by the MLR and the National Development and Reform Commission on May 23, 2012, the area of a parcel of land granted for commodity housing development shall not exceed seven hectares in small cities and towns, 14 hectares in medium-sized cities or 20 hectares in large cities; and (4) pursuant to the Notice on Further Strengthening the Administration and Control of Real Estate Land and Construction jointly issued by the MLR and The Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部) (the "MOHURD") in September 2010, the development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1.0.

In addition, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land use rights for property development. The PRC government also controls land supply through zoning, land usage regulations and other means.

All of these measures further intensify the competition for land in China among property developers. These policy initiatives and other measures adopted by the PRC government from time to time may limit the Company's ability to acquire suitable land for its development or increase land acquisition costs significantly, which may have a material adverse effect on its business, financial condition and results of operations.

Land Acquisition Laws

The Rules Regarding the Grant of *State-Owned Land Use Rights* by Way of Tender, Auction and Listing-for-sale (《招標拍賣挂牌出讓國有土地使用權規定》) issued by the MLR ("Circular 11") provide that, from July 1, 2002, land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in China may be granted by the government only through public tender, auction or listing-for-sale. When deciding whom to grant land use rights, the relevant authorities will consider not only the tender price, but also the credit history, qualifications and tender proposal of the tenderor. These measures will result in a more transparent land grant process, which will enable developers to compete more effectively.

On June 5, 2003, the PBOC published the Notice on Further Strengthening the Administration of Real Estate Loans (《中國人民銀行關於進一步加強房地產信貸業務管理的通知》). This notice prohibits commercial banks from advancing loans to fund the payments of land premiums. As a result, real estate developers may only use their own funds to pay for land premiums.

In September 2007, the MLR further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights through Public Tender, Auction and Invitation for Bidding (《招標拍賣挂牌出讓國有建設用地使用權規定》) to amend Circular 11, requiring that land for industrial use, except land for mining, must also be granted by public tender, auction and invitation for bidding. Only after the grantee has paid the land premium in full under the land grant contract can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In November 2009, the Ministry of Finance, the MLR, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》). This Notice raises the minimum down payment for land premium to 50 per cent, and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

The MLR promulgated the Notice on Problems Regarding Strengthening Control and Monitoring of Real Estate Land Supply (《關於加強房地產用地供應和監管有關問題的通知》) (the “Notice”) on March 8, 2010. According to the Notice, the land provision for affordable housing, redevelopment of slum districts and small/medium residential units for occupier owner should be no less than 70 per cent, of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price should not be less than 70 per cent, of the basic land price of the place where the granted land is located and the real estate developer’s bid deposit should not be less than 20 per cent, of the lowest grant price. The land grant contract must be executed within ten working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50 per cent, and must be paid within one month after the execution of the land grant contract. The balance should be paid in accordance with the agreement, but no later than one year. If the land grant contract is not executed in accordance with the requirement above, the land shall not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

On September 21, 2010, the MLR and the MOHURD issued the Notice on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (《國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知》) to tighten the examination of qualifications of land bidders. It specifies that when the bidders take part in the bidding or auction of the transferred land, the competent authority of land and resources shall, in addition to requiring proof of identity documents and payment of the bid security, require an undertaking letter stating that the bid security is not from any bank loan, shareholders’ borrowing, on-lending or raised funds and the credit certificate issued by commercial financial institutions. If the bidders are found to have conducted any of the following illegal or irregular activities, the competent authority of land and resources shall forbid the bidders and their controlling shareholders from participating in land bidding activities: (1) committing crimes such as forgery of instruments with an aim to illegally sell the land; (2) conducting illegal activities such as illegal transfers of land use right; (3) where the land is idling for a period of more than one year due to the enterprises’ reasons; or (4) where the development and construction enterprise develops and takes advantage of the land in contravention of the conditions as agreed in the transfer contract. The relevant authorities of land and resources at all levels are required to strictly implement the regulations.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant local land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures must then be carried out immediately.

Under current regulations, grantees of land use rights are generally allowed to dispose of the land use rights granted to them in the secondary market. Subject to the terms of the land use right grant and relevant registration requirements, the Company may choose to acquire land from such third parties. The availability of privately held land will, however, remain limited and subject to uncertainties.

Government Approvals

A PRC property developer must hold a valid qualification certificate to develop property. In addition, at various stages of project development, a PRC property developer must also obtain or renew various licenses, certificates, permits and approvals from the relevant PRC administrative authorities, including land use right certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion.

According to the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) issued by the MOHURD, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the issue of the provisional qualification certificate, it

will not be allowed to extend the term of its provisional qualification certificate. Developers with longer operating histories must submit their qualification certificates to relevant construction administration authorities for review annually. Government regulations require developers to fulfill all statutory requirements before they may obtain or renew their qualification certificates.

The Company conducts its property developments through project companies. These project companies must hold valid qualification certificates to conduct their businesses. There can be no assurance that the Company's project companies will continue to be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. If any of the Company's project companies do not obtain or renew the necessary qualification certificates in a timely manner, or at all, the Company's prospects, business, results of operations and financial condition may be materially and adversely affected.

Pursuant to the Measures for the Administration of Qualifications of Property Service Enterprises (《物業服務企業資質管理辦法》), entities engaged in property management are required to obtain qualification certificates before they commence their business operations. The Company's property management subsidiaries are primarily engaged in the management of the residential and commercial properties that the Company has developed. If any property management companies are unable to meet the relevant requirements and therefore unable to obtain or maintain the qualification certificates, the business and financial condition of the Company could be materially and adversely affected.

Land Use Rights

The land use rights in respect of the Company's land reserves will not be formally vested in the Company until it has received the relevant formal land use right certificates and failure to obtain or comply with land use rights could lead to confiscation of its land by the PRC government. Under current PRC land grant policies, the relevant authorities generally will not issue formal land use right certificates until the developer (i) has paid the land premium in full; and (ii) is in compliance with other land grant conditions. The land use rights in respect of the projects and the land that the Company may acquire in the future will not be formally vested in it until it has received the corresponding formal land use right certificates.

If a developer fails to develop the project according to the terms of the land grant contract, the relevant government authorities may issue a warning to, or impose a penalty on, the developer or confiscate the land use rights. Any violation of the land grant contract may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, if a developer fails to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on such developer and impose an idle land fee of up to 20 per cent, of the land premium. If a developer fails to commence the development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. On September 29, 2010, the PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), which required commercial banks to cease to grant loans for new development projects and renewal of loans to property developers that have records of violation of laws and regulations as a result of, among other things, rendering the land idle, changing the use and nature of land, delaying the construction commencement and completion and refusing to sell the properties. On January 26, 2011, the General Office of the State Council promulgated the Notice on Further Improving the Real Estate Market Regulation and Work-related Issues (《關於進一步做好房地產市場調控工作有關問題的通知》), which stipulates that the PRC government will confiscate land use rights and impose an idle land fee of up to 20 per cent, of the land premium if a developer fails to obtain the construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract. There can be no assurance that there will not be delays in the authorities' issuance of the land use right certificates or the construction permits in respect of the Company's projects.

Financing Regulation

The property development business is capital intensive; measures intended to cool the PRC property market could impair the Company's ability to finance the acquisition and development of its properties. The Company finances its property developments primarily through a combination of presales and sales proceeds, borrowings and equity contributions from shareholders. The Company's ability to maintain adequate working capital and external financing for land acquisitions or property developments on commercially acceptable terms depends on a number of factors that are beyond the Company's control. The PRC government has in the past taken a number of policy initiatives to tighten financing to property developers. The PBOC issued the Circular on Further

Strengthening the Management of Loans for Property Business (《關於進一步加強房地產信貸業務管理的通知》) on June 5, 2003 to specify the requirements for banks providing loans for the purposes of property development. These requirements include: (1) that loans from commercial banks to real estate enterprises may be granted only as property development loans and it is strictly forbidden to extend such loans as current capital loans for property development projects or other purposes. No lending shall be granted to enterprises which have not obtained the relevant land use right certificates, construction land permits, construction planning permit and construction work permits; and (2) that commercial banks may not grant loans to property developers to finance land premium payments.

The PBOC determines the benchmark lending rates for CNY-denominated loans in China. In 2010 and 2011, the PRC government tightened bank credit, imposing limits on loans for fixed assets and restrictions on state bank lending, in an effort to combat inflation and control China's overheated economy. The PBOC repeatedly raised interest rates in 2010 and 2011. Although the PBOC lowered interest rates in June 2012 and July 2012, any future increase in the PBOC's benchmark interest rates would likely slow economic activity in the PRC, which could, in turn, materially increase the costs of the business operation and also reduce demand for the services and products of the Company, leading to a material adverse effect on the Company's business.

The fiscal and other measures adopted by the PRC government from time to time may limit the flexibility and ability of the Company to use bank loans to finance its property developments and therefore may require the Company to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment on land premium to 50 per cent, of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the PRC government further tightened this requirement by setting the minimum price for land granted to be equal to at least 70 per cent, of the benchmark price for land in the surrounding locality and the bidding deposit to be equal to at least 20 per cent, of the applicable minimum land grant price. Additionally, a land grant contract is required to be entered into within ten working days after the land grant deal is closed and the down payment of 50 per cent, of the land premium (including any deposits previously paid) is required to be paid within one month of signing the land grant contract, with the remaining amount 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. These new requirements increase the Company's need for cash to facilitate land acquisitions and construction.

Property Development Financing Laws

On May 25, 2009, the State Council issued the Notice on the Adjustment of the Invested Capital Ratio regarding Investment in Fixed Assets (《國務院關於調整固定資產投資項目資本金比例的通知》), according to which, for the development of a general commodity housing project, the minimum registered capital shall be no less than 20 per cent, of the total investment of the fixed assets development project, and for other property development projects, the minimum registered capital shall be no less than 30 per cent, of the total investment. Therefore, the Company shall use its own funds to fulfill the requirement of the minimum registered capital and could only get such external funding as bank loans for the financing of the remaining capital needs.

Pre-Sale Regulations

The Company faces contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may materially and adversely affect its business, cash flow, financial condition and results of operations. The Company faces contractual risks relating to the pre-sales of properties. For example, if the Company fails to meet the completion time as stated in the pre-sale contracts, purchasers of pre-sold units have the right to claim damages under the pre-sale contracts. If the Company still fails to deliver the properties to the purchasers within the grace period stipulated in the presale contracts, the purchasers have the right of termination. If the actual GFA of a completed property delivered to purchasers deviates by more than 3 per cent, from the GFA originally stated in the pre-sale contracts, purchasers have the right of termination or the right to claim damages. There can be no assurance that the Company will not experience delays in the completion and delivery of its projects, nor that the GFA for a delivered unit will not deviate more than 3 per cent, from the GFA set out in the relevant contract. Any termination of the purchase contract as a result of the Company's late delivery of properties will have a material and adverse effect on its business, financial condition and results of operations.

Proceeds from the pre-sales of the Company's properties are an important source of funds for the Company's property developments and have an impact on its liquidity position. On August 5, 2005, the PBOC recommended in a report entitled "2004 Real Estate Financing Report" that the practice of pre-selling uncompleted properties be discontinued, on the ground that it creates significant market risks and generates transactional irregularities. On

July 24, 2007, an economic research Company under the NDRC proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. Such recommendation has not been adopted by any PRC governmental authority and has no mandatory effect. In April 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》). The notice urged local governments to enact regulations on the sale of completed residential properties in light of local conditions and encouraged property developers to sell residential properties when they are completed. There can be no assurance that the PRC governmental authorities will not ban or impose material limitations on the practice of pre-selling uncompleted properties in the future. Future implementation of any restrictions on the Company's ability to pre-sell its properties, including any requirements to increase the amount of up-front expenditure the Company must incur prior to obtaining the presale permit, would extend the time required for recovery of its capital outlay and would force it to seek alternative means to finance the various stages of its property developments. This, in turn, could have a material and adverse effect on the business, cash flow, financial condition and results of operations of the Company.

LAT Tax (土地增值稅)

Under PRC tax laws and regulations, the Company's properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30 per cent, to 60 per cent, on the appreciation of land value, which is calculated based on the proceeds from the sale of properties less deductible expenditures as provided in the relevant tax laws. Certain exemptions may be available for the sale of ordinary residential properties if the appreciation of land value does not exceed 20 per cent, of the total deductible items as provided in the relevant tax laws. However, sales of commercial properties are not eligible for this exemption. Real estate developers are required to prepay LAT monthly at rates set by local tax authorities after commencement of pre-sales or sales. For the years ended 2010, 2011 and 2012 and for the six months ended June 30, 2013, the Company prepaid LAT at the rate no more than 5% of its proceeds from pre-sales or sales of apartments, villas and commercial properties. In May 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》) that requires that the minimum LAT prepayment rate must be no less than 2 per cent, for provinces in eastern China, 1.5 per cent, for provinces in central and northeastern China and 1 per cent, for provinces in western China. If the LAT is calculated based on the authorized taxation method (核定徵收), the minimum taxation rate shall be 5 per cent, in principle. There can be no assurance that the local tax authorities will not further increase LAT prepayment rates in the future. In the event that the prepayment rates applicable to the Company increase, its cash flow and financial position will be adversely affected.

The SAT's Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》) requires real estate developers to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85 per cent, of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this notice in consideration of local conditions. The Company cannot predict when the PRC tax authorities will require it to settle the full amount of LAT applicable to the Company. If the implementation rules promulgated in the cities in which the Company's projects are located require the Company to settle all unpaid LAT or if any or all of its LAT provisions are collected by the PRC tax authorities, its business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, there can be no assurance that the tax authorities will agree with the Company's estimation or the basis on which the Company calculates its LAT obligations. In the event that the tax authorities assess the Company with LAT in excess of the provisions the Company has made for the LAT and the Company is unable to successfully challenge such assessments, the Company's net profits after tax may be adversely affected. There can be no assurance that the LAT obligations it is to assess and provide for in respect of the properties that it develops will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on it.

Completion Acceptance Examination (竣工驗收)

The Company's business and property sales may be affected if it fails to obtain records of acceptance examination for its completed projects. According to the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) enacted by the State Council and effective on July 20, 1998, the Regulation on the Quality Management of Construction Projects enacted and enforced by the State Council on January 30, 2000, the Administrative Measures for Reporting Details Regarding Acceptance Examination Upon

Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法》) enacted by the MOHURD on April 7, 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收規定》) enacted by the MOHURD and effective on December 2, 2013, after completion of work for a project, a real estate developer shall apply to the government property development authority at or above the county level for a record of acceptance examination upon project completion. For a housing estate or other building complex project, an acceptance examination is required to be conducted upon completion of the whole project, and where such a project is developed in phases, separate acceptance examinations may be carried out for each completed phase. A property developer will not be allowed to deliver its development property to the purchasers without the relevant record of acceptance examination.

There can be no assurance that the Company will be able to obtain records of acceptance examination for its completed projects in a timely manner, or at all. In such event, the business, property sales and financial condition of the Company may be materially and adversely affected. The Company may be liable to its customers for damages if it fails to deliver individual property ownership certificates in a timely manner.

Individual Property Ownership Certificate (房產證)

Under PRC law, property developers are required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale agreement. Property developers, including the Company, generally elect to specify a deadline for the delivery of the individual property ownership certificates in the sale agreements to allow sufficient time for the application and approval processes.

Under current regulations, the Company is required to submit the requisite governmental approvals in connection with its property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration for the relevant properties and apply for the general property ownership certificate in respect of these properties. The Company is then required to submit, within a stipulated period after delivery of the properties, the relevant property sale agreements, identification documents of the purchasers, proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the purchasers. Delays by the various administrative authorities in reviewing the application and granting approval and certain other factors may affect timely delivery of the general and individual property ownership certificates. Therefore, the Company may not be able to deliver individual property ownership certificates to purchasers on time as a result of delays in the administrative approval processes or for any other reason beyond its control, which may result in it having to pay default payments and, in the case of a prolonged delay, the purchaser terminating the sales agreement. If the Company becomes liable to a significant number of purchasers for late delivery of the individual property ownership certificates, its business, financial condition and results of operations may be materially and adversely affected.

Environmental Laws

Potential liability for environmental problems could result in substantial costs and delay in the development of the Company's projects. The Company is subject to a variety of laws and regulations concerning environmental protection. The local environmental laws and regulations applicable to any development site vary greatly according to the site's location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Compliance with environmental laws and conditions may result in delays in development schedules, may cause the Company to incur substantial compliance and other costs and may prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

The PRC environmental regulations provide that each project developed by a property developer is required to undergo an environmental assessment. Unless otherwise provided by the relevant laws, a property developer is required to submit an environmental impact report, an environmental impact analysis table or an environmental impact registration form to the relevant government authorities for approval before commencement of construction. If the Company fails to comply with these requirements, the local environmental authority may order it to suspend construction of the project until the development environmental impact assessment report is submitted to and approved by the local environmental authority. The local environmental authority may also impose on the Company a fine of CNY50,000 to CNY200,000 in respect of a project if the Company commences construction prior to obtaining such approval from the local environmental authority. There can be no assurance

that the Company will be able to complete environmental assessment procedures for its future projects and that the relevant environmental authorities will not order it to suspend construction of these projects or will not impose a fine on it. In the event that there is a suspension of construction or imposition of a fine, this may adversely affect the business and financial condition of the Company.

In addition, PRC regulations require environmental protection facilities included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. The residential and commercial property projects of the Company have environmental protection facilities that are subject to this requirement. If the Company fails to comply with this requirement, the local environmental authorities may order it to suspend construction or prohibit the use of the facilities, which may disrupt its operations and adversely affect its business. Environmental authorities may also impose a fine of up to CNY100,000 on the Company in respect of a project which is required to have environmental protection facilities but fails to do so. The Company is currently applying for the completion approval of environmental protection facilities for some projects. There can be no assurance that the Company can obtain such approvals in a timely manner or at all. In the event that such completion approvals cannot be obtained or if a fine is imposed on the Company, its business and financial condition may be materially and adversely affected.

SAFE Regulation

The Subsidiary Guarantors' ability to satisfy its obligations under the Bonds and the Guarantee mainly depends upon the ability of the Subsidiary Guarantors' PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to them and, if applicable, to repay shareholder loans. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. 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 the State Administration of Foreign Exchange (國家外匯管理局) (the "SAFE"), by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. The Subsidiary Guarantors' PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE. Prior to payment of interest and principal on any shareholder loan that the Subsidiary Guarantors make to their PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10 per cent, withholding tax or lower tax treaty rate on the interest payable in respect of such shareholder loan. If the PRC foreign exchange control system prevents the Company from obtaining sufficient foreign currency, or if the Subsidiary Guarantors' PRC subsidiaries for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, such PRC subsidiary will be unable to pay the Subsidiary Guarantors dividends or interest and principal on shareholder loans, which may affect the Subsidiary Guarantors' ability to satisfy their obligations under the Bonds and the Guarantee.

SAFE Regulation on Current Account CNY Remittance

Under the applicable PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On June 17, 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (《關於擴大跨境貿易人民幣結算試點有關問題的通知》) (the "Circular"), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 20 provinces and cities, and (iii) the restriction on designated offshore districts has been uplifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports and exports of goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only be effected by approved pilot enterprises in designated pilot districts in the PRC. In August 2011, the PRC government further expanded Renminbi cross-border trade settlement nationwide.

SAFE Regulation on Capital Account CNY Remittance

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On April 7, 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (《國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知》) (the "SAFE Circular"), which became effective on May 1, 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant MOFCOM's prior written consent to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided by onshore entities (including financial institutions) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On December 3, 2013, MOFCOM promulgated the Announcement on Issues Concerning Cross-border RMB Direct Investment (《關於跨境人民幣直接投資有關問題的公告》). In accordance with the Announcement on Issues Concerning Cross-border RMB Direct Investment, the cross-border RMB direct investment and the reinvestment of the invested foreign-funded enterprises shall conform to the requirements of laws, regulations and relevant provisions on foreign investment and abide by relevant provisions of the industrial policy, safety review of foreign capital merger and acquisition and anti-monopoly review on foreign investment of the State. The foreign-funded enterprises shall not use any fund of cross-border RMB direct investment to make any direct or indirect investment in securities, financial derivatives (excluding the strategic investment in listed companies) or entrusted loans within China.

On October 13, 2011, PBOC promulgated the Measures on Administration of Renminbi Settlement for Foreign Direct Investment (《外商直接投資人民幣結算業務管理辦法》) (the "PBOC Renminbi FDI Measures"), pursuant to which, PBOC special approval for Renminbi FDI and shareholder loans which was required by the PBOC Notice concerning Clarification of Certain Issues on Cross-border Renminbi Settlement (《中國人民銀行關於明確跨境人民幣業務相關問題的通知》) (the "PBOC Notice") promulgated on June 3, 2011 is no longer necessary. The PBOC Renminbi FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, a foreign investor is allowed to open a Renminbi expense account (人民幣前期費用專用存款賬戶) to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the Renminbi capital account (人民幣資本金專用存款賬戶) of such foreign invested enterprise when it is established, commercial banks can remit a foreign investor's Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents, if a foreign investor intends to use its Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a Renminbi re-investment account (人民幣再投資專用賬戶) to pool the Renminbi

proceeds, and the PRC parties selling stake in domestic enterprises to foreign investors can open Renminbi accounts and receive the purchase price in Renminbi paid by foreign investors. The PBOC Renminbi FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account (人民幣一般存款賬戶) to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

CIT and Withholding Tax

Under the CIT Law, the Issuer or the Subsidiary Guarantors may be classified as a “resident enterprise” of China. Such classification could result in unfavorable tax consequences to its and its non-PRC Bondholders. Under the CIT Law, an enterprise established outside of China with a “de facto management organization” located within China will be considered a “resident enterprise,” and consequently will be treated in a manner similar to a Chinese enterprise for CIT purposes. The implementing rules of the CIT Law define “de facto management” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. However, it is still unclear how the PRC tax authorities will determine whether an entity will be classified as a “resident enterprise.” If the PRC tax authorities determine that either the Issuer or any of the Subsidiary Guarantors is a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. The Issuer or the Subsidiary Guarantors may be subject to CIT at a rate of 25 per cent, on its worldwide taxable income as well as PRC CIT reporting obligations. In the present case, this would mean that income such as interest from any investment of any portion of the offering proceeds and other income sourced from outside the PRC would be subject to PRC CIT at a rate of 25 per cent. If either the Issuer or any Subsidiary Guarantor is considered a “resident enterprise,” interest payable to certain “non-resident enterprise” holders of the Bonds without establishment within the PRC or its incomes have no actual connection to its establishment inside the PRC may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10 per cent., or a lower rate for holders who qualify for the benefits of a double-taxation treaty with China, and capital gains realized by such holders of the Bonds may be treated as income derived from sources within China and be subject to a 10 per cent. PRC tax. Furthermore, if the Issuer or any Subsidiary Guarantor is considered a “resident enterprise,” interest or gains earned by non-resident individuals may be subject to PRC income tax at a rate of 20 per cent, or a lower rate for holders who qualify for the benefits of a double-taxation treaty with China.

There are significant uncertainties under the CIT Law relating to the withholding tax liabilities of the Company’s PRC subsidiaries. Under the CIT Law, the profits of a foreign invested enterprise generated in 2008 and onwards which are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10.0 per cent, or a lower treaty rate as contained in any income tax treaty or agreement to which China is a party. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5.0 per cent, if a Hong Kong resident enterprise owns 25 per cent, or more equity interest in a PRC company. Some of the Company’s PRC subsidiaries are currently wholly-owned by Hong Kong subsidiaries. However, according to the Circular of the SAT on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (《非居民享受稅收協定待遇管理辦法》), which became effective on October 1, 2009, the 5 per cent, withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation treaties. Moreover, according to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. The PRC tax authorities might not grant approvals on the 5 per cent, withholding tax rate on dividends received by the Company’s subsidiaries in Hong Kong from the Company’s PRC subsidiaries.

Foreign Debt Laws

Under PRC regulations, the Issuer and the Subsidiary Guarantors may not be able to transfer to the Company’s PRC subsidiaries proceeds from this offering, which could impair their respective ability to make timely payments of interest and principal under the Bonds and the Guarantee. Under PRC rules and regulations relating to supervision of foreign debt, including policies of the SAFE, restrictions on the incurrence of foreign debt (including intercompany debt that would be owed to the Issuer or the Subsidiary Guarantors by the Company’s PRC subsidiaries) will require that the proceeds of this offering and other funding the Issuer or the Subsidiary Guarantors provide to the Company’s PRC subsidiaries that will be used for land acquisitions and developments in China may only be transferred to the Company’s PRC subsidiaries as equity investments and not

as loans. Equity contributions by the Subsidiary Guarantors or their non-PRC subsidiaries to the Company's PRC subsidiaries will require approvals from the PRC governmental authorities, such as the approvals from the commerce department of the local government and filing with The Ministry of Commerce of the People's Republic of China (中華人民共和國商務部) (the "MOFCOM") and the local branch of the SAFE, 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. There can be no assurance that the Company has obtained or will obtain in a timely manner or at all relevant necessary approval certificates or filings for all its operating subsidiaries in the PRC to comply with this regulation.

PRC Bonds Tax

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the CIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China shall be PRC tax resident enterprises for the purpose of the CIT Tax Law and they shall pay PRC enterprise income tax at the rate of 25 per cent, in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer or the any Subsidiary Guarantor is within the territory of PRC, the Issuer or the Subsidiary Guarantor may be held to be a PRC tax resident enterprise for the purpose of the CIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent, for its income sourced from both within and outside PRC. As confirmed by the Issuer and the Subsidiary Guarantors, as at the date of this Offering Circular, neither the Issuer nor any of the Subsidiary Guarantors has been noticed or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the CIT Tax Law. On that basis, Bondholders will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer or the Subsidiary Guarantors will not be treated as a PRC tax resident enterprise under the CIT Law and related implementation regulations in the future. Pursuant to the CIT Law and its implementation regulations, any nonresident enterprise without establishment within the PRC or its incomes have no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent, on the incomes sourced inside the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer or any Subsidiary Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer or the Subsidiary Guarantor shall withhold income tax from the payments of interest in respect of the Bonds for any non-PRC enterprise Bondholder. However, despite the potential withholding of PRC tax by the Issuer or the Subsidiary Guarantors, the Issuer and the Subsidiary Guarantors have agreed to pay additional amounts to Bondholders so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

According to the double taxation arrangement between China and Hong Kong, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Bonds. For other investors of the Bonds, according to the CIT Law and related implementation regulations, it is unclear whether the capital gains of non-resident enterprises derived from a sale or exchange of the Bonds will be subject to PRC income tax. If such capital gains are determined as income sourced in China by PRC tax authority, those non-resident enterprise holders, other than Hong Kong residents, may be subject to PRC enterprise income tax at a rate of 10 per cent, of the gross proceeds (unless other tax preferential treatments are provided by any special tax arrangements).

Exchange rate information

PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to US dollars was generally stable. Although PRC Governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On July 21, 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 AM 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 that business day. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5% above or below the central parity rate published by the PBOC. On June 20, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on April 16, 2012, the band was expanded to 1.0%. More adjustments may be made to the exchange rate system by the PRC government in the future. Currently, the PROC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange spot market after the closing of the market on each business day, and makes it the central parity for the following business day.

The following table sets forth (1) the noon buying rate for US dollars in New York City for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for and as of the periods indicated through December 31, 2012; and (2) the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends indicated from and after January 1, 2013.

Period	Noon Buying Rate			Period End
	Low	Average ⁽¹⁾	High	
	(Renminbi per US\$1.00)			
2009	6.8176	6.8295	6.8470	6.8259
2010	6.6000	6.7696	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2221	6.2990	6.3879	6.2301
2013	6.0537	6.1412	6.2438	6.0537
2014				
January (through 10th)	6.0504	6.0516	6.0540	6.0519

(1) Averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

On January 10, 2014, the noon buying rate for US dollars in New York City for cable transfers in Renminbi was US\$1.00 to CNY 6.0519 as set forth in the H.10 statistical release of the Federal Reserve Board.

Taxation

The following summary of certain British Virgin Islands and Hong Kong tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds 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 Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds.

British Virgin Islands

As the Issuer is incorporated pursuant to the BVI Business Companies Act, 2004 (as amended) (the “BVI BC Act”) of the British Virgin Islands (“BVI”), (i) payment of principal, premium (if any) and interest in respect of the Bonds will not be subject to taxation in the BVI, (ii) no withholding tax will be required to be deducted by the Issuer on such payments to any holder of a Bond other than with respect to interest payable to an individual resident in the European Union, and (iii) the Bonds are exempt from stamp duty in the BVI.

Gains derived from the sale of the Bonds by persons who are not otherwise liable to BVI income tax, payroll tax and social security payment will not be subject to BVI income tax. The BVI currently has no capital gains tax, estate duty, inheritance tax or gift tax.

The European Union Savings Directive (the “Directive”) on the taxation of savings income in the form of interest payments took effect on July 1, 2005. The aim of this Directive is to enable savings income in the form of interest payments made in one EU Member State to beneficial owners who are individuals resident in another EU Member State to be made subject to effective taxation in accordance with the laws of the latter EU Member State.

Pursuant to the bilateral agreements that the BVI has entered into with each of the EU Member States, the BVI has given paying agents the option to offer beneficial owners the choice of having withholding tax on interest payments deducted at source or information about such payments exchanged with the relevant EU Member State.

The Directive specifies that any jurisdiction implementing the withholding tax must set up procedures to allow beneficial owners to opt not to pay a withholding tax either by authorizing the paying agent to report information or by providing a tax certificate issued by their competent tax authority.

Under the withholding tax option, a BVI paying agent will automatically deduct tax from interest payments. The paying agent will pay the withholding tax to the Commissioner of Inland Revenue in the BVI. 75% of the withholding tax levied will be remitted to the tax authorities in the receiving EU Member State and the Commissioner of Inland Revenue in the BVI will retain 25%. The receiving EU Member States will not receive information relating to the beneficial owner.

Under the automatic exchange of information option, the Directive requires the following information to be collected by the BVI paying agent:

- (i) the identity and residence of the beneficial owner in the EU Member States;
- (ii) the name and address of the paying agent;
- (iii) the account number of the beneficial owner, or where there is none, identification of the debt claim giving rise to the interest; and
- (iv) information concerning the savings income.

This information must be reported by the BVI paying agent at least once a year to the competent authority in the country where the account is held and forwarded to the competent authority of the country where the beneficial owner resides.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong on payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

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 assessable profits arising on the sale, disposal or redemption of the Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

Estate duty

There is no estate duty in Hong Kong, and thus, no estate duty is payable under the Estate Duty Ordinance in respect of the Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this “PRC Taxation” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the CIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management body” are within the territory of China are treated as PRC tax resident enterprises for the purpose of the CIT Tax Law and must pay PRC enterprise income tax at the rate of 25% in respect of their taxable income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer or any Subsidiary Guarantor is within the territory of PRC, the Issuer or the Subsidiary Guarantor may be held to be a PRC tax resident enterprise for the purpose of the CIT Law and be subject to PRC enterprise income tax at the rate of 25% on its taxable income. At the date of this Offering Circular, neither the Issuer nor any of the Subsidiary Guarantors has been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the CIT Tax Law.

However, there is no assurance that the Issuer or the Subsidiary Guarantors will not be treated as a PRC tax resident enterprise under the CIT Law and related implementation regulations in the future. Pursuant to the CIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent, who must withhold the tax amount from each payment. Accordingly, in the event the Issuer or the Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer or any Subsidiary Guarantor may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10% for non-resident enterprise Bondholders without an establishment within the PRC or whose incomes have no connection to its establishment inside the PRC and 20% in the case of non-resident individuals. The Issuer and the Subsidiary Guarantors have agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

Proposed EU Directive on the Taxation of Savings Income

Under the Directive on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

On September 15, 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On November 13, 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on April 24, 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

Global clearance and settlement

See “*Terms and Conditions of the Bonds*” for the definitions of certain capitalized terms used in this section.

Investors in the Bonds may hold Bonds through Euroclear or Clearstream. Initial settlement and all secondary trades will settle as described below. Although the Issuer understands that Euroclear and Clearstream will comply with the procedures provided below in order to facilitate transfers of Bonds among participants of Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be modified or discontinued at any time. None of the Issuer, the Subsidiary Guarantors, the Trustee, the Registrar, the Transfer Agents, the Principal Paying Agent, any other Paying Agents, any other Agent, the Account Bank or any other agent of any of them will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations. With respect to clearance and settlement through Euroclear and Clearstream, the Issuer understands as follows:

The clearing systems

Euroclear and Clearstream

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets.

Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial settlement

The Bonds will be issued initially in the form of a Global Certificate in book-entry form and will be deposited with a common depository for Euroclear and Clearstream. The Global Certificate will be registered in the name of a nominee of the common depository for Euroclear and Clearstream. As necessary, the Registrar will adjust the amount of Bonds on the register for the amounts of Euroclear and Clearstream to reflect the amount of Bonds held through Euroclear and Clearstream, respectively. Investors’ interests in Bonds held in book-entry form by Euroclear or Clearstream, as the case may be, will be represented through financial institutions acting on their behalf as direct and indirect participants in Euroclear or Clearstream, as the case may be. In addition, Euroclear and Clearstream may hold positions in the Bonds on behalf of their participants through their respective depositories.

Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional notes. Book-entry interests in the Bonds will be credited to Euroclear and Clearstream participants’ securities clearance accounts on the business day following the Issue Date against payment for value on the Issue Date. The Issuer will not impose any fees in respect of the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of maintenance and operation of accounts in Euroclear and Clearstream.

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Bonds where both the purchaser’s and seller’s accounts are located to ensure that settlement can be made on the desired value date.

Trading between Euroclear and/or Clearstream participants

Secondary market trading between Euroclear participants and/or Clearstream participants will be settled using the procedures applicable to conventional notes in same-day funds.

Subscription and sale

The Issuer, the Subsidiary Guarantors and the Company have entered into a subscription agreement with Merrill Lynch International, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch and Barclays Bank PLC as the Joint Lead Managers dated January 23, 2014 (the “Subscription Agreement”) pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer agreed to sell to the Joint Lead Managers, and the Joint Lead Managers agreed to severally, but not jointly, subscribe and pay for the aggregate principal amount of the Bonds set forth opposite its name below.

<u>Joint Lead Manager</u>	<u>Principal amount of the Bonds to be subscribed</u>
Merrill Lynch International	US\$150,000,000
Goldman Sachs (Asia) L.L.C.	US\$150,000,000
The Hongkong and Shanghai Banking Corporation Limited	US\$150,000,000
UBS AG, Hong Kong Branch	US\$75,000,000
Barclays Bank PLC	US\$75,000,000
Total	<u>US\$600,000,000</u>

The Subscription Agreement provides that the Issuer, the Company and the Subsidiary Guarantors will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer, the Company and the Subsidiary Guarantors, for which they received or will receive customary fees and expenses.

The Joint Lead Managers and their respective affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Company and/or the Subsidiary Guarantors.

In connection with the issue of the Bonds, Goldman Sachs (Asia) L.L.C. (the “Stabilizing Manager”) or any person acting on behalf of the Stabilizing Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager shall act as principal and not as agent of the Issuer, the Company or the Subsidiary Guarantors. However, there is no assurance that the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over-allotment or stabilization shall be for the account of the Stabilizing Manager.

General

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this

Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds and the Guarantee 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.

The Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of Securities or Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each of the Joint Lead Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Joint Lead Manager or Joint Lead Managers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Subsidiary Guarantors; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

British Virgin Islands

The Bonds may not be offered to members of the Public in the British Virgin Islands.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Joint Lead Manager has acknowledged that the Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or

- (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

The PRC

Each Joint Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Taiwan

Each of the Joint Lead Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in Taiwan, except as permitted by the securities laws of Taiwan.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Ratings

The Bonds are expected to be assigned a rating of “BBB-” by S&P, a rating of “Baa3” by Moody’s and a rating of “BBB+” by Fitch. The ratings reflect the rating agencies’ assessment of the likelihood of timely payment of the principal of and the interest on the Bonds. The credit ratings accorded the Bonds are not a recommendation to purchase, hold or sell the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Bonds, on any of our other securities, or on us. See “*Risk factors—Risks related to the Offering and the Bonds—The ratings of the Bonds may be downgraded or withdrawn.*”

Legal matters

Certain matters of Hong Kong law will be passed upon for us by Reed Smith Richards Butler. Certain matters of the laws of the British Virgin Islands will be passed upon for us by Appleby. Certain matters of PRC law will be passed upon for us by Tian Yuan Law Firm. Certain matters of PRC law will be passed upon for the Joint Lead Managers by Jingtian & Gongcheng. Certain matters of Hong Kong law will be passed upon for the Joint Lead Managers by Linklaters.

General information

Authorizations

The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed, the Agency Agreement, the Keepwell Deed and the Interest Reserve Account Agreement. The issue of the Bonds was authorized by resolutions of the board of directors of the Issuer on January 23, 2014. Wanda HK has obtained all necessary consents, approvals and authorizations in connection with the giving and performance of the Guarantee and the execution of the Keepwell Deed, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorized by resolutions of the sole director of Wanda HK on January 23, 2014. Each of the Subsidiary Guarantors (other than Wanda HK) has obtained all necessary consents, approvals and authorizations in connection with the giving and performance of the Guarantee and the execution of the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorized by resolutions of the sole director of each Subsidiary Guarantor (other than Wanda HK) on January 23, 2014. The Company has obtained all necessary consents, approvals and authorizations in connection with entry into the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking and the entry into the transaction documents in connection with the Bonds was authorized by resolutions of the Board of the Company on January 23, 2014. PRC counsel to the Company and the Joint Lead Managers have advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Company to enter into the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking.

Litigation

Except as disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting the Issuer, us, any of our subsidiaries or any of our assets, and we are not aware of any pending or threatened proceedings, which are material in the context of this issue of the Bonds or the Guarantee.

No material adverse change

Except as disclosed herein, since June 30, 2013, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, management, business, condition (financial or otherwise), shareholders' equity, results of operations or prospects of us, the Issuer, the Subsidiary Guarantors and our subsidiaries, taken as a whole.

Documents available

Copies of our latest annual report and consolidated accounts and our latest unaudited interim consolidated accounts may be obtained free of charge, and copies of the Trust Deed, the Agency Agreement, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Interest Reserve Account Agreement and the Articles of Association of the Issuer, Wanda HK and the Company will be available for inspection, at our specified office at Unit 3007, 30/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours, so long as any of the Bonds is outstanding. We publish unaudited consolidated interim financial statements every year for the six months ended June 30.

Clearing system and settlement

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Bonds is set out forth below:

	ISIN	Common Code
Global Certificate representing the Bonds.....	XS1023280271	102328027

Financial Statements:

The audited consolidated financial statements of the Company as at and for the years ended December 31, 2011 and 2012, which are included elsewhere in this Offering Circular, have been audited by BDO Limited, as stated in its report appearing herein. The unaudited consolidated financial statements of the Company as at and for the six months ended June 30, 2013, and the unaudited consolidated financial statements of Wanda HK as at June 30, 2013 and for the period from February 6, 2013 (date of its incorporation) to June 30, 2013, which are included elsewhere in this Offering Circular, have been reviewed by BDO Limited, as stated in its report appearing herein.

The audited consolidated financial statements of the Hong Kong Listco as at and for the year ended December 31, 2012, which are included elsewhere in this Offering Circular, have been audited by KPMG, as stated in its report appearing herein. The unaudited condensed consolidated interim financial statements of the Hong Kong Listco as at and for the six months ended June 30, 2013, which are included elsewhere in this Offering Circular, have been reviewed by KPMG, as stated in its report appearing herein.

The consolidated financial statements of the Company and Wanda HK are prepared under the IFRS and the consolidated financial statements of the Hong Kong Listco are prepared under the HKFRS. These consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

Listing of the Bonds

Application will be made to The Stock Exchange of Hong Kong Limited for listing of and permission to deal in the Bonds by way of debt issues to professional investors and such permission is expected to become effective on or about January 30, 2014.

Index to financial statements

	<u>Page</u>
The Company's Consolidated Financial Statements	
Independent auditor's report and audited consolidated financial statements as at and for the years ended December 31, 2011 and 2012	F-2
Unaudited consolidated interim financial statements as at and for the six months ended June 30, 2013 and the independent auditor's review report	F-4
Wanda HK's Consolidated Financial Statements	
Unaudited consolidated interim financial statements as at June 30, 2013 and for the period from February 6, 2013 (date of its incorporation) to June 30, 2013 and the independent auditor's review report	F-89
The Hong Kong Listco's Consolidated Financial Statements	
Unaudited condensed consolidated interim financial statements as at and for the six months ended June 30, 2013 and the independent auditor's review report	F-129
Independent auditor's report and audited consolidated financial statements as at and for the year ended December 31, 2012	F-156

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DALIAN WANDA COMMERCIAL PROPERTIES CO., LIMITED**

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Dalian Wanda Commercial Properties Co., Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 4 to 87, which comprise the consolidated statements of financial position as at 31 December 2011 and 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2011 and 2012, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (issued by the International Accounting Standards Board (the "IASB")) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DALIAN WANDA COMMERCIAL PROPERTIES CO., LIMITED
(incorporated in the People's Republic of China with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and 2012 and of the Group's result and cash flows for the year then ended in accordance with IFRSs.

BDO Limited
Certified Public Accountants
/s/Cheung Sai Kit
Practising Certificate Number P05544

Hong Kong, 24 October 2013

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE MEMBERS OF DALIAN WANDA COMMERCIAL PROPERTIES CO., LIMITED**

(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 87, which comprises the consolidated statement of financial position of Dalian Wanda Commercial Properties Co., Limited (the "Company") and its subsidiaries as of 30 June 2013 and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

BDO Limited
Certified Public Accountants
/s/Cheung Sai Kit
Practising Certificate Number P05544

Hong Kong, 24 October 2013

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 December			For the six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'million	RMB'million	RMB'million	RMB'million (unaudited)	RMB'million (unaudited)
Revenue	6	39,613	54,041	62,877	19,733	33,817
Cost of sales		(20,898)	(28,995)	(31,666)	(9,333)	(19,059)
Gross profit		18,715	25,046	31,211	10,400	14,758
Other income, gains and losses	7	1,202	1,834	2,174	710	1,396
Selling and distribution expenses		(1,674)	(2,829)	(2,997)	(1,132)	(1,621)
Administrative expenses		(2,713)	(4,143)	(5,141)	(2,171)	(2,699)
Finance costs	8	(1,680)	(2,972)	(3,861)	(1,657)	(2,780)
Change in fair value of investment properties		12,424	16,428	23,824	4,923	4,897
Share of profit/(loss) of an associate		-	-	151	-	(139)
Profit before income tax expense	9	26,274	33,364	45,361	11,073	13,812
Income tax expense	11	(9,023)	(10,971)	(16,055)	(5,048)	(5,350)
Profit for the year/period		17,251	22,393	29,306	6,025	8,462
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Gains on revaluation upon transfer from property, plant and equipment and land use rights to investments properties		35	-	-	-	-
Exchange difference on translation of financial statements of subsidiaries		-	-	-	-	(8)
Total comprehensive income		17,286	22,393	29,306	6,025	8,454
Total comprehensive income attributable to:						
Owners of the Company		17,296	22,414	28,752	5,782	8,426
Non-controlling interests		(10)	(21)	554	243	28
		17,286	22,393	29,306	6,025	8,454
Earnings per share	13					
- Basic and diluted (RMB per share)		4.78	5.99	7.84	1.61	2.26

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 June
		2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Non-current assets					
Property, plant and equipment	14	8,050	13,642	18,344	26,177
Investment properties	15	65,342	105,609	155,647	171,638
Land use rights	16	2,822	4,047	5,579	6,534
Goodwill	17	-	-	-	1,618
Available-for-sale financial assets	20	2	10	10	40
Intangible assets	18	15	50	82	105
Interests in associates	19	-	-	1,709	123
Long term receivables		12	11	11	11
Deferred tax assets	29	1,021	2,019	2,626	2,525
		<u>77,264</u>	<u>125,388</u>	<u>184,008</u>	<u>208,771</u>
Current assets					
Inventories	21	37,386	57,259	76,214	93,554
Trade and other receivables	22	12,396	14,149	17,228	16,009
Prepaid tax		207	1,756	3,123	3,440
Derivative financial asset	23	-	-	-	55
Pledged and restricted bank deposits	24	734	2,212	2,131	2,602
Bank balances and cash	24	35,090	44,048	48,585	73,681
		<u>85,813</u>	<u>119,424</u>	<u>147,281</u>	<u>189,341</u>
Current liabilities					
Trade and other payables	25	13,632	28,304	33,459	38,445
Deferred income	28	-	-	191	193
Pre-sales proceeds received on sales of properties		37,781	71,274	94,111	103,269
Borrowings	27	8,885	16,611	21,681	17,944
Dividend payables		-	-	13	13
Tax payables		5,581	5,586	5,710	2,986
		<u>65,879</u>	<u>121,775</u>	<u>155,165</u>	<u>162,850</u>
Net current assets/(liabilities)		<u>19,934</u>	<u>(2,351)</u>	<u>(7,884)</u>	<u>26,491</u>
Total assets less current liabilities		<u>97,198</u>	<u>123,037</u>	<u>176,124</u>	<u>235,262</u>
Non-current liabilities					
Borrowings	27	51,754	53,136	71,547	118,228
Convertible bonds	23	-	-	-	62
Deferred income	28	-	-	134	883
Deferred tax liabilities	29	7,793	11,792	18,039	20,193
		<u>59,547</u>	<u>64,928</u>	<u>89,720</u>	<u>139,366</u>
Net assets		<u>37,651</u>	<u>58,109</u>	<u>86,404</u>	<u>95,896</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - Continued

	<i>Notes</i>	<u>As at 31 December</u>			<u>As at 30 June</u>
		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
		<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Capital and reserves attributable to owners of the Company					
Share capital	30	3,736	3,736	3,736	3,736
Reserves		<u>33,875</u>	<u>54,354</u>	<u>81,054</u>	<u>87,446</u>
Equity attributable to owners of the Company		<u>37,611</u>	<u>58,090</u>	<u>84,790</u>	<u>91,182</u>
Non-controlling interests		<u>40</u>	<u>19</u>	<u>1,614</u>	<u>4,714</u>
Total equity		<u><u>37,651</u></u>	<u><u>58,109</u></u>	<u><u>86,404</u></u>	<u><u>95,896</u></u>

On behalf of the board

/s/ Ding Benxi

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'million	Share premium note 31a(i) RMB'million	Capital reserve note 31a(ii) RMB'million	Merger reserve note 31a(iii) RMB'million	Revaluation reserve note 31a(iv) RMB'million	Statutory reserve note 31a(v) RMB'million	Exchange reserve note 31a(vi) RMB'million	Retained profits RMB'million	Equity attributable to owners of the Company		Total equity RMB'million
									Company	Non-controlling interests	
At 1 January 2010	3,600	-	244	-	-	55	-	16,723	20,622	-	20,622
Profit for the year	-	-	-	-	-	-	-	17,261	17,261	(10)	17,251
Revaluation upon transfer of property, plant and equipment to investment properties	-	-	-	-	35	-	-	-	-	-	35
Total comprehensive income for the year	-	-	-	-	35	-	-	17,261	17,296	(10)	17,286
Issuance of shares	136	7	-	-	-	-	-	-	143	-	143
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	50	50
Transfer of statutory reserve	-	-	-	-	-	88	-	(88)	-	-	-
Dividend paid	-	-	-	-	-	-	(450)	(450)	(450)	-	(450)
At 31 December 2010	3,736	7	244	-	35	143	-	33,446	37,611	40	37,651
Profit for the year and total comprehensive income for the year	-	-	-	-	-	-	-	22,414	22,414	(21)	22,393
Acquisition of subsidiaries under common control	-	-	-	(1,935)	-	-	-	-	(1,935)	-	(1,935)
Transfer of capital reserve	-	-	(220)	220	-	-	-	-	-	-	-
Transfer of statutory reserve	-	-	-	-	-	522	-	(522)	-	-	-
At 31 December 2011	3,736	7	24	(1,715)	35	665	-	55,338	58,090	19	58,109
Profit for the period and total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	5,782	5,782	243	6,025
Dividend paid (unaudited)	-	-	-	-	-	-	-	(1,980)	(1,980)	-	(1,980)
Transfer of statutory reserve (unaudited)	-	-	-	-	-	92	-	(92)	-	-	-
At 30 June 2012 (unaudited)	3,736	7	24	(1,715)	35	757	-	59,048	61,892	262	62,154

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - Continued

	Share capital	Share premium	Capital reserve	Merger reserve	Revaluation reserve	Statutory reserve	Exchange reserve	Retained profits	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
At 31 December 2011	3,736	7	24	(1,715)	35	665	-	55,338	58,090	19	58,109
Profit for the year and total comprehensive income for the year	-	-	-	-	-	-	-	28,752	28,752	554	29,306
Non-controlling interest arising on business combination (Note 34)	-	-	-	-	-	-	-	-	-	879	879
Transfer of statutory reserve	-	-	-	-	-	513	-	(513)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,980)	(1,980)	-	(1,980)
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	(72)	(72)	162	90
At 31 December 2012	3,736	7	24	(1,715)	35	1,178	-	81,525	84,790	1,614	86,404
Profit for the period (unaudited)	-	-	-	-	-	-	-	8,434	8,434	28	8,462
Exchange difference on translation of financial statements of subsidiaries (unaudited)	-	-	-	-	-	-	(8)	-	(8)	-	(8)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - Continued

	Share capital RMB'million	Share premium note 31a(i) RMB'million	Capital reserve note 31a(ii) RMB'million	Merger reserve note 31a(iii) RMB'million	Revaluation reserve note 31a(iv) RMB'million	Statutory reserve note 31a(v) RMB'million	Exchange reserve note 31a(vi) RMB'million	Retained profits RMB'million	Equity attributable to owners of the Company		Non-controlling interests RMB'million	Total equity RMB'million
									RMB'million	RMB'million		
Total comprehensive income for the period (<i>unaudited</i>)	-	-	-	-	-	-	(8)	8,434	8,426	28	8,454	
Non-controlling interest arising on business combination (Note 34) (<i>unaudited</i>)	-	-	-	-	-	-	-	-	-	2,468	2,468	
Acquisition of non-controlling shareholder's equity portion of convertible bond	-	-	-	-	-	-	-	-	-	(52)	(52)	
Capital contribution from non-controlling shareholders (<i>unaudited</i>)	-	-	-	-	-	-	-	-	-	750	750	
Acquisition of additional interest in a subsidiary (<i>unaudited</i>)	-	-	-	-	-	-	-	(36)	(36)	(94)	(130)	
Transfer of statutory reserve (<i>unaudited</i>)	-	-	-	-	-	212	-	(212)	-	-	-	
Dividend paid (<i>unaudited</i>)	-	-	-	-	-	-	-	(1,998)	(1,998)	-	(1,998)	
At 30 June 2013 (<i>unaudited</i>)	3,736	7	24	(1,715)	35	1,390	(8)	87,713	91,182	4,714	95,896	

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2012 RMB'million (unaudited)	2013 RMB'million (unaudited)
Cash flows from operating activities					
Profit before income tax expense	26,274	33,364	45,361	11,073	13,812
Adjustments for:					
Share of (profit)/loss of an associate	-	-	(151)	-	139
Loss on disposal of an associate	6	-	-	-	-
Allowance for doubtful trade and other receivables	-	16	41	-	19
Recovery of impairment loss previously recognised	(42)	-	(1)	-	(2)
Depreciation of property, plant and equipment	251	517	881	358	455
Amortisation of intangible assets	1	3	10	4	8
Amortisation of land use rights	32	45	79	39	41
Change in fair value of transfer of inventories to investment properties	-	-	(32)	(10)	-
Change in fair value of investment properties	(12,424)	(16,428)	(23,824)	(4,923)	(4,897)
Change in fair value of financial derivative	(161)	-	-	-	-
(Gain)/loss on disposal of property, plant and equipment	1	1	(1)	(2)	-
Loss on disposal of financial assets at fair value through profit or loss	219	-	-	-	-
(Gain)/loss on disposal of investment properties	8	2	(8)	(8)	-
Interest income	(336)	(436)	(360)	(178)	(259)
Interest expenses and bank charges	1,694	3,180	4,145	1,725	2,989
Operating profit before changes in working capital	15,523	20,264	26,140	8,078	12,305
Changes in working capital:					
Increase in inventories	(14,821)	(17,650)	(15,196)	(12,938)	(10,364)
(Increase)/decrease in trade and other receivables	(10,160)	(1,739)	(1,473)	(535)	424
Increase in pre-sales proceeds received on sale of properties	25,753	33,493	22,347	15,943	8,803
Increase/(decrease) in trade and other payables	5,199	6,631	(3,871)	(6,696)	(4,811)
Increase in deferred income	-	-	191	-	6
Increase in pledged and restricted bank deposits	(126)	(565)	(585)	(1,090)	(806)
Cash generated from operations	21,368	40,434	27,553	2,762	5,557
Interest received	336	436	360	178	259
PRC enterprise income tax and land appreciation tax paid	(2,676)	(9,514)	(11,659)	(7,371)	(7,349)
Net cash from/(used in) operating activities	19,028	31,356	16,254	(4,431)	(1,533)

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	For the year ended 31 December			For the six months ended 30 June	
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2012 RMB'million (unaudited)	2013 RMB'million (unaudited)
Cash flows from investing activities					
Additions of property, plant and equipment	(4,192)	(4,435)	(4,177)	(981)	(1,176)
Additions of investment Properties	(15,894)	(17,257)	(19,782)	(5,770)	(4,923)
Additions of land use rights	(729)	(1,270)	(1,474)	(900)	(477)
Additions of intangible assets	(7)	(38)	(42)	(9)	(26)
Additions of available-for-sale financial assets	(2)	(8)	-	-	(30)
Proceeds from disposal of property, plant and equipment	78	-	2	13	30
Proceeds from disposal of investment properties	7	-	-	-	-
Proceeds from disposal of land use rights	18	-	-	-	5
Proceeds from disposal of intangible assets	-	-	-	-	2
Payment for settlement of financial derivative	(219)	-	-	-	-
Proceeds from disposal of an associate	349	-	-	-	-
Acquisition of convertible bonds	-	-	-	-	(166)
Payment for acquisition of associates	-	-	(1,558)	-	(123)
Prepayment for acquisition of a subsidiary	-	-	(963)	-	-
Net cash (outflow)/inflow as a result of business combination	-	(1,935)	(226)	-	228
Government grant received	-	-	134	-	-
Net cash used in investing activities	(20,591)	(24,943)	(28,086)	(7,647)	(6,656)

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	For the year ended 31 December			For the six months ended 30 June	
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2012 RMB'million (unaudited)	2013 RMB'million (unaudited)
Cash flows from financing activities					
Capital contribution from non-controlling interest	-	-	-	-	750
Amount paid for acquisition of non-controlling interest	-	-	-	-	(130)
Amounts received from borrowings	42,270	39,478	57,470	22,042	47,272
Repayment of borrowings	(20,520)	(30,371)	(33,848)	(13,000)	(9,263)
Proceeds from issuance of shares	143	-	-	-	-
Capital injection from non-controlling shareholders	50	-	-	-	-
Interest and bank charges paid	(3,530)	(5,649)	(5,952)	(2,160)	(3,731)
Dividend paid	(450)	-	(1,967)	(1,967)	(1,998)
(Increase)/decrease in pledged and restricted bank deposits	(56)	(913)	666	982	385
Net cash from financing activities	17,907	2,545	16,369	5,897	33,285
Net increase/(decrease) in cash and cash equivalents	16,344	8,958	4,537	(6,181)	25,096
Cash and cash equivalents at beginning of the year/period	18,746	35,090	44,048	44,048	48,585
Cash and cash equivalents at end of the year/period, comprising bank balances and cash	35,090	44,048	48,585	37,867	73,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION, FORMATION OF THE GROUP AND BASIS OF PRESENTATION

Corporate information

Dalian Wanda Commercial Properties Co., Ltd (“the Company”) was incorporated in the PRC on 16 September 2002. The Company’s registered office is located at #539, Changjiang Rd., Xigang District, Dalian, China.

The directors of the Company consider that its ultimate holding Company is Dalian Wanda Group Co. Ltd, a private limited liability company incorporated in PRC.

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 24 October 2013.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting periods commencing from 1 January 2013, together with the relevant transitional provisions, have been adopted by the Company and its subsidiaries (“the Group”) in the preparation of the financial statements throughout the year.

Prior to 2013, the Group prepared its consolidated financial statements in accordance with China Accounting Standard Business Enterprises (“CASBE”).

Management has given due consideration to the requirements under IFRS 1 First-time Adoption of International Financial Reporting Standards “IFRS 1” in preparing these consolidated financial statements. For this purpose, the date of the Group’s transition to IFRSs was determined to be 1 January 2010, being the beginning of the earliest period for which the Group presents comparative information in these consolidated financial statements. With due regard to the Group’s accounting policies in previous periods and the requirements of IFRS 1, management has concluded that no adjustments to the amounts reported under IFRSs were required as at the date of IFRSs transition, or in respect of the year ended 31 December 2010.

The consolidated financial statement have been prepared under the historical cost basis except for completed investment properties and financial derivative, which are measured at fair values as explained in the accounting policies set out below. The consolidated financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

The consolidated financial statements were prepared on a going concern basis.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the consolidated financial statements.

IFRS 7 and IFRS 9 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment Entities ¹
IFRS 9 IAS 32 (Amendments)	Financial Instruments ² Presentation - Offsetting Financial Assets and Financial Liabilities ¹
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-financial Assets ¹
IAS 39 (Amendments)	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting ¹
IFRIC Interpretation 21	Levies ¹

¹Effective for annual periods beginning on or after 1 January 2014

²Effective for annual periods beginning on or after 1 January 2015

IFRS 32 - Offsetting Financial Assets and Financial Liabilities

IAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting systems (such as central clear house system which apply gross settlement mechanism that are not simultaneous).

IFRS 9 - Financial Instruments

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group’s consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of previous reporting period or when first came under common control, whichever is shorter.

All inter-company transactions, cash flows and balances between the companies now comprising the Group are eliminated.

(b) Basis of consolidations

Except for the business combination under common control, which is accounted for using the principle of merger accounting (Note 4(a)), the acquisition method of accounting is used for all other acquisition of subsidiaries or businesses.

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company (i) has the power over the investee, (ii) is exposed, or has rights to variable returns from its involvement with the investee, and (iii) has the ability to use its power to affect its return. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed date. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(b) Basis of consolidations - Continued

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(d) Property, plant and equipment - Continued

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land and building	35 - 40 years
Leasehold improvement	Over the remaining life of the leases but not exceeding 5 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture and equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Investment property

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

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

Property under construction or development for future use as investment properties is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or development is completed, in which time any difference between fair value and the carrying amount will be recognised in profit or loss in the period.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

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. The equity component is recognised in the convertible bonds equity reserve until either the bond is converted or redeemed.

The convertible bonds redemption options held by the Group are initially measured at fair value and presented as derivative financial instrument (see note 4(w)) and subsequently remeasured in accordance with note 4(w).

If the bond is converted, the convertible bond reserve, together with the carrying amount of the liability component and the derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued.

If the bond is redeemed, any difference between the fair values and the carrying amounts of the liability component and the derivative is recognised immediately in profit or loss. The difference between the total redemption payment and the fair value of the liability component and the derivative is considered as payment to redeem the equity component of the convertible bonds. This deemed redemption payment in relation to the equity component of the convertible bonds is dealt with directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(h) Leasing

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group as lessee

(i) *The Group is the lessee other than operating lease of land use rights*

Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

(ii) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

The Group as lessor

Assets leased out under operating leases are included in property, plant and equipment and investment properties in the consolidated balance sheet. They are depreciated over their expected useful lives on basis consistent with similar owned property, plant and equipment.

Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(i) **Land use right**

Land use right is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of land use right over the lease terms.

(j) **Intangible assets**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 4(s)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets estimated useful lives.

Computer Software	5-10 years
-------------------	------------

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) **Financial instruments**

(i) **Financial assets**

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(k) Financial instruments - Continued

(i) Financial assets - Continued

Financial assets at fair value through profit or loss - Continued

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or loss on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in equity.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(k) Financial instruments - Continued

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

For loan and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(k) Financial instruments - Continued

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(k) Financial instruments - Continued

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(m) Properties for sales

Properties for sales are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Property under development for sale

The cost of properties under development for sales 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. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed property held for sales

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sales comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from properties developed for sales in the ordinary business is recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

Rental income from properties under operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on straight-line basis over the lease term.

Revenue from hotel operation is recognised when the relevant services are provided.

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

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(o) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(p) **Income taxes**

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is settled or realised that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(q) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

(r) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Pension obligations

For employees in the People's Republic of China (the “PRC”), the Group contributes to a state-sponsored retirement plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due and are reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(s) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interests in associate;
- investment properties under cost model
- intangible assets;
- land use rights,

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(u) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(v) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
 - (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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

(w) Derivative financial instrument

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

(a) Critical judgements in applying accounting policies

(i) Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As at 31 December 2010, 2011 and 2012 and period ended 30 June 2013, the Group has recognised deferred tax liabilities on revaluation of investment properties amounting to RMB7,777 million, RMB11,649 million, RMB17,886 million and RMB19,515 million.

5. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued**

(b) **Key sources of estimation uncertainty**

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) **Impairment of property, plant and equipment**

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(ii) **Useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

5. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued**

(b) **Key sources of estimation uncertainty - Continued**

(iii) **Impairment of account and other receivables**

Recoverability of the account and other receivables are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgement is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

(iv) **Income taxes**

The management estimates the provision for income tax based on the Group operations and relevant tax rules and interpretation issued by the tax bureau in respective tax jurisdictions. In cases where the tax filings and actual taxable profits are agreed by the tax authorities is less or more than expected, an over-provision or under-provision for income tax would be recognised in profit or loss for the period in which such income tax filings are finalised.

(v) **Land appreciation tax**

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC. However, the Group has not finalised its land appreciation tax calculation with the local tax authorities for certain property development projects of the Group. Accordingly, significant judgement is required in determining the amount of the land appreciation tax and its related income tax provisions.

The Group recognised the land appreciation tax based on management's best estimation. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers. The Group is mainly engaged in the property development, property investment activities and hotel operations.

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses only on revenue analysis. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Entity-wide disclosures

The following is an analysis of the Group's revenue from its major business services:

	For the year ended 31 December			For the six months ended 30 June	
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2012 <i>RMB'million</i> <i>(unaudited)</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Revenue from sales of properties	36,693	48,306	53,778	15,791	28,165
Rental income from leasing of properties and property management service income	2,153	4,001	6,214	2,716	4,056
Revenue from hotel operations	675	1,539	2,739	1,184	1,521
Revenue from others	92	195	146	42	75
	<u>39,613</u>	<u>54,041</u>	<u>62,877</u>	<u>19,733</u>	<u>33,817</u>

Geographical information

The Group's operations are located in the PRC. All revenue from external customers and non-current assets excluding financial instruments and deferred tax assets of the Group are substantially generated from and located in the PRC. No revenue from a single customer or a group of customers under common control contributed 10% or more of the Group's revenue during the Relevant Periods.

7. OTHER INCOME, GAINS AND LOSSES

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million (unaudited)</i>	<i>RMB'million (unaudited)</i>
Interest income	336	436	360	178	259
Increase in fair value of transfer of inventories to investment properties	-	-	32	10	-
Loss on disposal of financial assets at fair value through profit or loss	(58)	-	-	-	-
Governments grants	825	1,358	1,743	473	1,115
Loss on disposal of an associate	(6)	-	-	-	-
Recovery of impairment loss previously recognised	42	-	1	-	2
Gain/(loss) on disposal of property, plant and equipment	(1)	(1)	1	2	-
Gain/(loss) on disposal of investment properties	(8)	(2)	8	8	-
Sundry income	72	43	29	39	20
	<u>1,202</u>	<u>1,834</u>	<u>2,174</u>	<u>710</u>	<u>1,396</u>

8. FINANCE COSTS

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million (unaudited)</i>	<i>RMB'million (unaudited)</i>
Interest on bank borrowings					
Wholly repayable within five years	2,971	4,261	5,237	2,348	3,570
Not wholly repayable within five years	625	934	1,472	651	1,084
Total borrowing costs	3,596	5,195	6,709	2,999	4,654
Less: Amounts capitalised (note i)	(1,916)	(2,223)	(2,848)	(1,342)	(1,874)
	<u>1,680</u>	<u>2,972</u>	<u>3,861</u>	<u>1,657</u>	<u>2,780</u>

8. FINANCE COSTS - Continued

Note:

- (i) Borrowing costs capitalised during the Relevant Periods arose on the specific and general borrowing pools. The borrowing costs capitalised arose on the general borrowing pools are calculated by applying the following capitalisation rate on qualifying assets:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013 (unaudited)
Capitalisation rate	4.86% to 7.33%	5.31% to 7.98%	5.40% to 11.66%	5.40% to 8.46%	6.15% to 13.00%

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	For the year ended 31 December			For the six months ended 30 June	
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2012 RMB'million (unaudited)	2013 RMB'million (unaudited)
Staff costs (Note 10)	1,448	2,253	3,494	1,519	1,919
Cost of properties held for sales recognised as expenses	19,593	26,397	27,747	7,654	16,842
Cost of hotel operation	423	1,076	1,849	791	974
Depreciation of property, plant and equipment	251	517	881	358	455
Amortisation of intangible assets	1	3	10	4	8
Allowance for doubtful trade and other receivables	-	16	41	-	19
Direct operating expenses arising from investment properties that generated rental income during the year/period	859	1,375	1,965	871	1,179

10. STAFF COSTS

	For the year ended 31 December			For the six months ended 30 June	
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2012 RMB'million (unaudited)	2013 RMB'million (unaudited)
Staff costs (including directors' emoluments) comprise:					
Salaries, allowance and bonuses	1,328	2,123	3,040	1,326	1,624
Contributions to defined contributions plans	120	130	454	193	295
	<u>1,448</u>	<u>2,253</u>	<u>3,494</u>	<u>1,519</u>	<u>1,919</u>

11. INCOME TAX EXPENSE

	For the year ended 31 December			For the six months ended 30 June	
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2012 RMB'million (unaudited)	2013 RMB'million (unaudited)
PRC Enterprise Income Tax ("EIT")	3,899	3,913	4,541	1,520	1,943
Land Appreciation Tax ("LAT")	2,565	4,057	5,889	2,757	1,956
Deferred tax (note 29)	2,559	3,001	5,625	771	1,451
	<u>9,023</u>	<u>10,971</u>	<u>16,055</u>	<u>5,048</u>	<u>5,350</u>

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

Pursuant to the relevant PRC corporate income tax rules and regulations, certain of the Company's subsidiaries operating in the PRC enjoy a preferential EIT rate for the Relevant Periods.

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2012 RMB'million (unaudited)	2013 RMB'million (unaudited)
Profit before income tax expense	26,274	33,364	45,361	11,073	13,812
Tax at PRC EIT rate of 25%	6,569	8,341	11,341	2,768	3,453
PRC LAT	2,565	4,057	5,889	2,757	1,956
Tax effect of PRC LAT	(641)	(1,014)	(1,472)	(689)	(489)
Tax effect of share of results of an associate	-	-	38	-	35
Tax effect of expenses not deductible for tax purpose	348	269	363	53	54
Tax effect of income not taxable for tax purposes	(156)	(287)	(303)	(6)	(7)
Tax effect of tax losses or deductible temporary differences not recognised	435	343	630	185	702
Tax effect of utilisation of tax losses previously not recognised	(27)	(75)	(298)	(52)	(262)
Effect of preferential rates granted to certain PRC subsidiaries	(105)	(556)	(189)	(48)	(128)
Under/(over) provision	<u>35</u>	<u>(107)</u>	<u>56</u>	<u>80</u>	<u>36</u>
Income tax expense for the year/period	<u>9,023</u>	<u>10,971</u>	<u>16,055</u>	<u>5,048</u>	<u>5,350</u>

12. DIVIDENDS

The dividends declared/paid by the Group during the Relevant Periods were as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million (unaudited)</i>	<i>RMB'million (unaudited)</i>
Dividend paid	450	-	1,980	1,980	1,998

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to ordinary equity holders of the Group is based on the following data:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million (unaudited)</i>	<i>RMB'million (unaudited)</i>
Earnings					
Earnings for the purpose of basic earnings per share and diluted earnings per share	17,251	22,393	29,306	6,025	8,462
Number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	3,607	3,736	3,736	3,736	3,736
Basic and diluted earnings per share	<u>4.78</u>	<u>5.99</u>	<u>7.84</u>	<u>1.61</u>	<u>2.26</u>

14. PROPERTY, PLANT AND EQUIPMENT

Cost	Leasehold land and buildings RMB'million	Leasehold improvement RMB'million	Plant and machinery RMB'million	Other furniture and equipment RMB'million	Motor vehicles RMB'million	Construction in progress RMB'million	Total RMB'million
At 1 January 2010	2,964	68	64	226	80	923	4,325
Additions at cost	104	159	4	85	231	3,818	4,401
Transfer to investments properties	(16)	-	-	-	-	-	(16)
Transfers	2,761	-	-	-	-	(2,761)	-
Disposals	(81)	-	(1)	(6)	(2)	-	(90)
At 31 December 2010 and 1 January 2011	5,732	227	67	305	309	1,980	8,620
Additions at cost	29	340	3	171	78	5,509	6,130
Transfers	5,698	42	-	-	-	(5,740)	-
Disposals	(7)	(38)	(1)	(16)	(2)	-	(64)
At 31 December 2011 and 1 January 2012	11,452	571	69	460	385	1,749	14,686
Additions at cost	312	241	9	186	59	4,718	5,525
Acquired upon business combination (note 34(c))	-	-	-	7	3	60	70
Transfers	4,155	293	-	-	-	(4,448)	-
Disposals	(11)	(111)	-	(6)	(6)	-	(134)
At 31 December 2012 and 1 January 2013	15,908	994	78	647	441	2,079	20,147
Additions at cost (unaudited)	100	62	13	60	24	1,805	2,064
Acquired upon business combination (note 34(a)(b)) (unaudited)	4,617	11	14	46	43	1,523	6,254
Transfers (unaudited)	494	33	-	-	-	(527)	-
Disposals (unaudited)	(25)	(230)	-	(27)	(2)	-	(284)
At 30 June 2013 (unaudited)	21,094	870	105	726	506	4,880	28,181

14. PROPERTY, PLANT AND EQUIPMENT - Continued

	Leasehold land and buildings RMB'million	Leasehold improvement RMB'million	Plant and machinery RMB'million	Other furniture and equipment RMB'million	Motor vehicles RMB'million	Construction in progress RMB'million	Total RMB'million
Accumulated depreciation and impairment							
At 1 January 2010	166	16	27	94	27	-	330
Provided for the year	117	74	6	37	17	-	251
Eliminated on disposals	(5)	-	-	(4)	(2)	-	(11)
At 31 December 2010 and 1 January 2011	278	90	33	127	42	-	570
Provided for the year	223	189	8	55	42	-	517
Eliminated on disposals	-	(38)	-	(4)	(1)	-	(43)
At 31 December 2011 and 1 January 2012	501	241	41	178	83	-	1,044
Provided for the year	392	337	11	86	55	-	881
Eliminated on disposals	(1)	(111)	-	(5)	(5)	-	(122)
At 31 December 2012 and 1 January 2013	892	467	52	259	133	-	1,803
Provided for the period (unaudited)	241	107	6	72	29	-	455
Eliminated on disposals (unaudited)	-	(230)	-	(22)	(2)	-	(254)
At 30 June 2013 (unaudited)	1,133	344	58	309	160	-	2,004
Net book value							
At 31 December 2010	5,454	137	34	178	267	1,980	8,050
At 31 December 2011	10,951	330	28	282	302	1,749	13,642
At 31 December 2012	15,016	527	26	388	308	2,079	18,344
At 30 June 2013 (unaudited)	19,961	526	47	417	346	4,880	26,177

As at 31 December 2010, 2011 and 2012 and 30 June 2013, certain property, plant and equipment with net book value were pledged as securities for bank borrowings. For details, please refer to note 27.

The borrowing costs of RMB123 million, RMB151 million, RMB140 million and RMB108 million had been capitalised into construction in progress during the year ended 31 December 2010, 2011 and 2012 and period ended 30 June 2013 respectively.

14. PROPERTY, PLANT AND EQUIPMENT - Continued

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group was in the process of applying for the relevant title certificate of buildings for certain property, plant and equipment amount with net book value of RMB2,524 million, RMB4,581 million, RMB2,419 million and RMB3,334 million.

15. INVESTMENT PROPERTIES

	Completed investment properties <i>RMB'million</i>	Investment properties under construction or development at cost <i>RMB'million</i>	Total <i>RMB'million</i>
At 1 January 2010	30,178	5,999	36,177
Additions	-	16,686	16,686
Disposals	(15)	-	(15)
Transfer to inventories	(7)	-	(7)
Transfer upon completion	12,812	(12,812)	-
Transfer from property, plant and equipment and land use rights	77	-	77
Increase in fair value recognised in the profit or loss	12,424	-	12,424
At 31 December 2010	<u>55,469</u>	<u>9,873</u>	<u>65,342</u>
At 31 December 2010			
- Stated at fair value	55,469	-	55,469
- Stated at cost	<u>-</u>	<u>9,873</u>	<u>9,873</u>
At 1 January 2011	55,469	9,873	65,342
Additions	1,597	22,253	23,850
Disposals	(11)	-	(11)
Transfer upon completion	16,376	(16,376)	-
Increase in fair value recognised in the profit or loss	16,428	-	16,428
At 31 December 2011	<u>89,859</u>	<u>15,750</u>	<u>105,609</u>
At 31 December 2011			
- Stated at fair value	89,859	-	89,859
- Stated at cost	<u>-</u>	<u>15,750</u>	<u>15,750</u>

15. INVESTMENT PROPERTIES - Continued

	Completed investment properties <i>RMB'million</i>	Investment properties under construction or development at cost <i>RMB'million</i>	Total <i>RMB'million</i>
At 1 January 2012	89,859	15,750	105,609
Additions	-	26,163	26,163
Disposals	(7)	-	(7)
Transfer from inventories	58	-	58
Transfer upon completion	21,330	(21,330)	-
Increase in fair value recognised in the profit or loss	23,824	-	23,824
At 31 December 2012	<u>135,064</u>	<u>20,583</u>	<u>155,647</u>
At 31 December 2012			
- Stated at fair value	135,064	-	135,064
- Stated at cost	-	20,583	20,583
At 1 January 2013 (<i>unaudited</i>)	135,064	20,583	155,647
Additions (<i>unaudited</i>)	-	8,643	8,643
Transfer upon completion (<i>unaudited</i>)	5,077	(5,077)	-
Acquired upon business combination (note 34(a)(b)) (<i>unaudited</i>)	2,451	-	2,451
Increase in fair value recognised in profit or loss (<i>unaudited</i>)	4,897	-	4,897
At 30 June 2013 (<i>unaudited</i>)	<u>147,489</u>	<u>24,149</u>	<u>171,638</u>
At 30 June 2013			
- Stated at fair value (<i>unaudited</i>)	147,489	-	147,489
- Stated at cost (<i>unaudited</i>)	-	24,149	24,149

The investment properties are all situated in the PRC and held under medium term leases of RMB55,469 million, RMB89,859 million, RMB135,064 million and RMB147,489 million as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively. All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

In circumstances where the fair value of an investment properties under construction or development at 31 December 2010, 2011 and 2012 and 30 June 2013 are not reliably determinable, such investment properties are measured at cost less impairment, if any, until when its fair value becomes reliably determinable upon finalisation of the development plan, land and relocation cost and construction costs.

15. INVESTMENT PROPERTIES - Continued

The fair values of the completed investment properties, including both land and building elements held by the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 have been arrived on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited (“DTZ”). DTZ is an independent firm of professional valuer not connected with the Group, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuation for completed investment properties, was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The Group has concluded the fair value of its investment properties under construction or development continued to be measured at cost until such time as fair value can be determined or construction is completed.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group was in the process of applying for the relevant property certificates and land use rights certificates for certain investment properties amounting to RMB21,342 million, RMB24,611 million, RMB26,100 million and RMB8,074 million.

16. LAND USE RIGHTS

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Cost				
At beginning of the year/period	2,213	2,905	4,175	5,786
Additions	729	1,270	1,474	477
Acquired upon business combination (note 34(a)(b)(c))	-	-	137	524
Disposals	(23)	-	-	(5)
Transfer to investment properties	(14)	-	-	-
At end of the year/period	<u>2,905</u>	<u>4,175</u>	<u>5,786</u>	<u>6,782</u>
Accumulated amortisation				
At beginning of the year/period	56	83	128	207
Amortisation	32	45	79	41
Eliminated on disposals	(5)	-	-	-
At end of the year/period	<u>83</u>	<u>128</u>	<u>207</u>	<u>248</u>
Net book value				
At end of the year/period	<u>2,822</u>	<u>4,047</u>	<u>5,579</u>	<u>6,534</u>

16. LAND USE RIGHTS - Continued

The Group's land use rights are located in the PRC, where certain of the Group's property, plant and equipment and properties under development are built on, and held under the following lease term:

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Medium term lease (from 10 to 50 years)	2,822	4,047	5,579	6,534

As at 31 December 2010, 2011 and 2012 and 30 June 2013, certain land use rights were pledged as securities for borrowings. For details, please refer to note 27.

17. GOODWILL

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Cost				
At beginning of the year/period	-	-	-	-
Additions	-	-	-	1,618
At end of the year/period	-	-	-	1,618

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU") identified as follows:

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Property development - People's Republic of China	-	-	-	1,618
	-	-	-	1,618

The recoverable amounts of the CGU have been determined based on the fair value less cost to sell of the CGU to which the goodwill relates. As the goodwill is mainly attributable to the business combination of Wanda Commercial Properties (Group) Co., Limited ("Wanda Commercial"), formerly known as Hengli Commercial Properties (Group) Limited and 长白山国际旅游度假区开发有限公司 ("Changbaishan") (note 34(a)(b)) which occurred close to period ended 30 June 2013, the director is of the opinion that the recoverable amount of the goodwill can make reference to the arms-length purchase price paid on the business combination and therefore no impairment loss is recognised.

18. INTANGIBLE ASSETS

	Computer software RMB'million
Cost	
At 1 January 2010	11
Additions	<u>7</u>
At 31 December 2010 and 1 January 2011	18
Additions	<u>38</u>
At 31 December 2011 and 1 January 2012	56
Additions	<u>42</u>
At 31 December 2012	98
Additions (<i>unaudited</i>)	26
Acquired upon business combination (note 34(b)) (<i>unaudited</i>)	7
Disposals (<i>unaudited</i>)	<u>(4)</u>
At 30 June 2013 (<i>unaudited</i>)	<u>127</u>
Amortisation	
At 1 January 2010	2
Charges for the year	<u>1</u>
At 31 December 2010 and 1 January 2011	3
Charges for the year	<u>3</u>
At 31 December 2011 and 1 January 2012	6
Charges for the year	<u>10</u>
At 31 December 2012	16
Charges for the period (<i>unaudited</i>)	8
Eliminated on disposals (<i>unaudited</i>)	<u>(2)</u>
At 30 June 2013 (<i>unaudited</i>)	<u>22</u>
Carrying values	
At 31 December 2010	<u>15</u>
At 31 December 2011	<u>50</u>
At 31 December 2012	<u>82</u>
At 30 June 2013 (<i>unaudited</i>)	<u>105</u>

19. INTERESTS IN ASSOCIATES

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Unlisted shares, at cost	-	-	1,558	123
Share of post - acquisition profits and other comprehensive income	-	-	151	-
	-	-	1,709	123

Details of associates are as follows:

Name	Form of business structure	Place of incorporation	Place of operation and principal activity	Percentage of ownership interests/ voting rights / profit share
Changbaishan^^	Corporation	PRC	Resort development, construction operation and management in PRC	45%
大连金石文化旅游投资有限公司(“Dalian Jinshi”)**	Corporation	PRC	Resort development, construction operation and management in PRC	5%

^^ On 12 December 2012, the Group has acquired 45% equity interest in Changbaishan, whose principal activity is resort development, construction operation and management in PRC, from its ultimate holding company, for a consideration of RMB1,558 million.

On 3 June 2013, the Group acquired additional 20% equity interest in Changbaishan. The transaction resulted in Changbaishan ceasing to be an associate and becoming a subsidiary of the Group. For details, please refer to note 34(b). Changbaishan did not contribute any revenue nor profit or loss to the consolidated results of the Group during the period from 1 January 2013 to the date of becoming a subsidiary of the Group.

** On 22 May 2013, the Group has acquired 5% equity interest in Dalian Jinshi, whose principal activity is commercial property management, for a cash consideration of RMB123 million.

Further, pursuant to the sales and purchase agreement of June 2013, the Group agreed to make a capital contribution of RMB700 million into Dalian Jinshi and the Group will effectively hold 40% of Dalian Jinshi. During the six months ended 30 June 2013, the Group has nominated a director to the board of Dalian Jinshi. Accordingly, the director is of the opinion that the Company has significant influence over Dalian Jinshi and to recognise Dalian Jinshi as an associate.

19. INTERESTS IN ASSOCIATES - Continued

The summarised financial information in respect of the Group's associates is set out below:

	As at 31 December			As at 30 June
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Total assets	-	-	12,278	2,554
Total liabilities	-	-	9,015	1,785
Net assets	-	-	3,263	769
Group's share of net assets of associates	-	-	1,468	308
Revenue	-	-	762	134
Profit/(loss) and total comprehensive income for the year/period	-	-	335	(309)
Group's share of results of associates for the year/period	-	-	151	(139)

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at 30 June
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Unlisted equity investments, at cost	2	10	10	40

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably.

21. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	As at 31 December			As at 30 June
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Property development:				
Properties under development for sales (note i)	30,397	53,960	69,842	84,350
Properties held for sales (note ii)	6,964	3,202	6,319	9,135
Others	25	97	53	69
	37,386	57,259	76,214	93,554

21. INVENTORIES - Continued

Notes:

- (i) All of the properties under development for sales are situated in the PRC and held under the following lease terms:

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Long term leases (over 50 years)	10,757	21,373	31,095	36,949
Medium term leases (from 10 to 50 years)	19,640	32,587	38,747	47,401
	<u>30,397</u>	<u>53,960</u>	<u>69,842</u>	<u>84,350</u>

Certain of the Group's properties under development for sales were pledged as securities for the Group's loans from financial institution. For details, please refer to note 27.

The Group's properties under development for sales of RMB11,661 million, RMB13,534 million, RMB25,725 million and RMB25,913 million as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively are expected to be realised within twelve month from the end of reporting period.

- (ii) All of the properties held for sales are stated at cost. The properties held for sales are held under the following lease terms:

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Situated in Hong Kong	-	-	-	552
Situated in the PRC				
Long term leases (over 50 years)	4,802	1,124	2,651	4,644
Medium term leases (from 10 years to 50 years)	2,162	2,078	3,668	3,939
	<u>6,964</u>	<u>3,202</u>	<u>6,319</u>	<u>9,135</u>

None of the Group's properties held for sales was pledged as at 31 December 2010, 2011 and 2012 and 30 June 2013.

22. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Trade receivables	189	294	289	184
Less: allowance for doubtful debts	(2)	(7)	(6)	(4)
	<u>187</u>	<u>287</u>	<u>283</u>	<u>180</u>
Other receivables	4,222	2,429	4,586	5,620
Less: allowance for doubtful debts	(37)	(48)	(89)	(108)
	<u>4,185</u>	<u>2,381</u>	<u>4,497</u>	<u>5,512</u>
Deposits and prepayments	6,432	8,268	7,712	4,721
Prepayments for other taxes	1,592	3,213	4,736	5,596
	<u>8,024</u>	<u>11,481</u>	<u>12,448</u>	<u>10,317</u>
	<u>12,396</u>	<u>14,149</u>	<u>17,228</u>	<u>16,009</u>

The following is an ageing analysis of trade receivables (net of allowance for bad and doubtful debts, if any) at the end of each reporting period:

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Less than 30 days	29	62	90	43
Between 31 days to 1 year	144	137	169	75
Over 1 year	14	88	24	62
	<u>187</u>	<u>287</u>	<u>283</u>	<u>180</u>

Trade receivables that were neither past due nor impaired is related to a large number of diversified customers for whom there was no recent history of default. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

In determining the recoverability of a trade receivable, the Group consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the date of the reporting period. Allowance for bad and doubtful debts are generally not required for rental receivables as the Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts.

22. TRADE AND OTHER RECEIVABLES - Continued

The movement in the allowance of doubtful debts is as follow:

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
At beginning of the year/period	81	39	55	95
Impairment loss recognised	-	16	41	19
Recovery of impairment loss previously recognised	(42)	-	(1)	(2)
At end of the year/period	<u>39</u>	<u>55</u>	<u>95</u>	<u>112</u>

23. CONVERTIBLE BONDS

As at 30 June 2013, the convertible bonds of Wanda Commercial, a newly acquired subsidiary of the Group in June 2013, with principal amount of HK\$114 million (equivalent to RMB90 million) and present value of RMB62 million, was held by Mr. Chen Chang Wei. The convertible bonds are secured by the shares of Amazing Wise Limited, a subsidiary of the Group.

The rights of the convertible bond holders to convert the convertible bonds into ordinary shares are as follows:

- (i) Conversion rights are exercisable at any time up to maturity at the option of the convertible bond holder.
- (ii) Pursuant to the terms of the convertible bonds, the conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bonds have been adjusted as a result of a rights issue in January 2011. Wanda Commercial is required to deliver ordinary shares at a rate of \$0.334 per share (originally \$0.5 per share before the rights issue).

Wanda Commercial has the right at any time to redeem the whole or any part of the outstanding principal amount of the convertible bonds at their face value. The option to enable the Wanda Commercial to redeem the convertible bonds is considered as derivative financial assets of the Group and revalued at each reporting date. As at 30 June 2013, its fair value of the redeem right is approximately RMB55 million.

If the convertible bond holders' conversion rights have not been exercised or the convertible bonds have not been repurchased or redeemed up to the maturity date, i.e. on 20 January 2018, the Wanda Commercial will redeem the convertible bonds at face value on 20 January 2018.

24. PLEDGED AND RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank Balances

Bank balances carry interest at market rates which range from 0.36%, 0.40% to 0.50%, 0.35% to 0.50% and 0.35% per annum as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively.

Pledged Bank Deposits

The pledged deposits carry fixed interest rate of 2.75%, 3.50%, 3.25% and 3.25% per annum as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Restricted Bank Deposits

The restricted deposits carry interest at following rate:

	As at 31 December			As at 30 June
	2010	2011	2012	2013 (unaudited)
Floating rates	2.25% to 2.75%	2.75% to 3.5%	3.25% to 3.5%	3.25%
Fixed rates	1.71% to 2.25%	2.25% to 3.1%	2.85% to 3.1%	2.85%

Restricted cash includes guarantee deposits for the Group's bank loans and certain cash proceeds from pre-sale of properties according to the governmental regulations in certain cities of the PRC. For the guarantee deposits for bank loans, the restrictions are released when the Group repays the bank loans. For the restricted cash proceeds from pre-sale of properties, restrictions are to be released gradually in line with the progress of the properties' development.

25. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Trade payables	8,229	20,780	25,621	28,041
Accrued charges	762	1,038	1,326	1,267
Other payables	4,641	6,486	6,512	9,137
	<u>13,632</u>	<u>28,304</u>	<u>33,459</u>	<u>38,445</u>

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period.

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Less than 1 year	7,144	19,321	22,639	23,572
Between 1 year to 2 years	1,003	1,285	2,770	4,065
Over 2 years	82	174	212	404
	<u>8,229</u>	<u>20,780</u>	<u>25,621</u>	<u>28,041</u>

26. DEFINED CONTRIBUTION RETIREMENT PLANS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 11% to 16% of the salaries, bonuses and certain allowances of the employees.

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$25,000 (HK\$20,000 prior to June 2012). Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

27. BORROWINGS

	As at 31 December			As at 30 June
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Bank borrowings	56,159	57,786	74,364	100,642
Other borrowings (note (ii))	4,480	11,961	18,864	35,530
	<u>60,639</u>	<u>69,747</u>	<u>93,228</u>	<u>136,172</u>
Analysed as:				
Secured (note (i))	56,609	63,201	78,335	115,175
Unsecured	4,030	6,546	14,893	20,997
	<u>60,639</u>	<u>69,747</u>	<u>93,228</u>	<u>136,172</u>
	As at 31 December			As at 30 June
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Bank borrowings repayable within a period of:				
- Not more than 1 year or on demand	5,305	7,556	11,396	9,356
- More than 1 year, but not exceeding 2 years	16,441	12,068	15,292	22,326
- More than 2 years, but not exceeding 5 years	22,144	22,206	20,061	30,082
- More than 5 years	12,269	15,956	27,615	38,878
	<u>56,159</u>	<u>57,786</u>	<u>74,364</u>	<u>100,642</u>

27. BORROWINGS - Continued

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Other borrowings repayable within a period of:				
- Not more than 1 year or on demand	3,580	9,055	10,285	8,588
- More than 1 year, but not exceeding 2 years	-	2,906	4,902	12,465
- More than 2 years, but not exceeding 5 years	900	-	3,677	14,477
- More than 5 years	-	-	-	-
	<u>4,480</u>	<u>11,961</u>	<u>18,864</u>	<u>35,530</u>
Total bank and other borrowings	60,639	69,747	93,228	136,172
Less: Amount due within one year shown under current liabilities	<u>(8,885)</u>	<u>(16,611)</u>	<u>(21,681)</u>	<u>(17,944)</u>
Amount due after one year	<u><u>51,754</u></u>	<u><u>53,136</u></u>	<u><u>71,547</u></u>	<u><u>118,228</u></u>
Analysed as:				
Fixed-rate borrowings	4,480	11,961	19,564	36,230
Floating-rate borrowings	<u>56,159</u>	<u>57,786</u>	<u>73,664</u>	<u>99,942</u>
	<u><u>60,639</u></u>	<u><u>69,747</u></u>	<u><u>93,228</u></u>	<u><u>136,172</u></u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the borrowings are analysed as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013 (unaudited)
Fixed-rate borrowings	5.31% to 7.00%	5.31% to 13.30%	7.48% to 13.70%	6.40% to 13.30%
Floating-rate borrowings	4.86% to 7.88%	4.86% to 8.51%	5.00% to 12.50%	5.64% to 12.39%

27. BORROWINGS - Continued

Notes:

- (i) Assets that have been pledged as collateral to secure bank borrowings are as follows:

	As at 31 December			As at 30 June
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Pledged and restricted bank deposits (note 24)	734	2,212	2,131	2,602
Inventories - Properties under development for sales (note 21)	20,843	20,428	20,210	12,146
Land use rights (note 16)	2,035	2,596	5,016	6,388
Investment properties under construction or development at cost and construction in progress (note 15 and 14)	7,237	11,480	9,331	12,528
Completed investment properties (note 15)	38,432	30,070	49,315	112,519
Buildings (note 14)	3,197	6,014	10,891	7,396
	<u>72,478</u>	<u>72,800</u>	<u>96,894</u>	<u>153,579</u>

- (ii) Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), pursuant to which Trustees raised trust funds and injected the funds to the group company. All the funds bear fixed interest rates, have fixed repayment terms, and are secured by the shares of certain group companies. The net assets of these shares as at 31 December 2010, 2011 and 2012 and 30 June 2013 were approximately RMB4,468 million, RMB8,751million, RMB7,835 million and RMB12,505 million.
- (iii) As at 31 December 2010, 2011 and 2012 and 30 June 2013, certain bank and other borrowings of the Group in the amount of RMB34,652 million, RMB33,261 million, RMB6,971 million and RMB17,261 million were guaranteed by the ultimately holding company.

28. DEFERRED INCOME

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Amounts credited to profit or loss during the year/period				
- Incentive subsidies (note a)	825	1,358	1,742	1,109
- Subsidies related to property, plant and equipment and property held for sales (note b)	-	-	1	6
	<u>825</u>	<u>1,358</u>	<u>1,743</u>	<u>1,115</u>
Deferred income related to government grants				
- Subsidies related to property, plant and equipment and property held for sales (note b)	-	-	325	1,076
Less: Current portion	-	-	(191)	(193)
Non-current portion	<u>-</u>	<u>-</u>	<u>134</u>	<u>883</u>

Notes:

- (a) Incentive subsidies mainly represent government grants received from the PRC local government authority as an encouragement of economy development to different states. There were no restrictions with the use of such government grants.
- (b) The Group received government grants for the compensation of capital expenditure incurred for the property, plant and equipment and property held for sales. The amounts are deferred and amortised over the estimated useful lives of the property plant and equipment and recognised in profit and loss upon the sales of properties.

29. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Relevant Periods:

	Revaluation of investment properties RMB' million	Land Appreciation Tax RMB' million	Recognition of sales and related cost of sales RMB' million	Others RMB' million	Total RMB' million
At 1 January 2010	(4,574)	69	281	23	(4,201)
Charges to reserves	(12)	-	-	-	(12)
(Charge)/credit to profit or loss	(3,191)	(53)	644	41	(2,559)
At 31 December 2010	(7,777)	16	925	64	(6,772)
(Charge)/credit to profit or loss	(3,872)	(104)	888	87	(3,001)
At 31 December 2011	(11,649)	(88)	1,813	151	(9,773)
Acquired upon business combination (note 34(c))	-	-	-	(15)	(15)
(Charge)/credit to profit or loss	(6,237)	21	388	203	(5,625)
At 31 December 2012	(17,886)	(67)	2,201	339	(15,413)
Acquired upon business combination (note 34(a) (b)) (<i>unaudited</i>)	(236)	56	-	(624)	(804)
(Charge)/credit to profit or loss (<i>unaudited</i>)	(1,393)	103	(417)	256	(1,451)
At 30 June 2013 (<i>unaudited</i>)	(19,515)	92	1,784	(29)	(17,668)

For the purpose of presentation of the consolidated statement of financial position, certain deferred tax assets (liabilities) have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (<i>unaudited</i>)
Deferred tax assets	1,021	2,019	2,626	2,525
Deferred tax liabilities	(7,793)	(11,792)	(18,039)	(20,193)
	(6,772)	(9,773)	(15,413)	(17,668)

At the end of the reporting period, the Group has unused tax losses of RMB1,802 million, RMB2,521 million, RMB3,900 million and RMB6,763 million as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively. The amounts shall be available to offset against future profits. A deferred tax asset has been recognized in respect of such tax losses amounting to RMB126 million, RMB544 million, RMB1,017 million and RMB1,292 million as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,676 million, RMB1,977 million, RMB2,883 million, RMB5,471 million as at 31 December 2010, 2011 and 2012 and 30 June 2013 due to the unpredictability of future profit streams.

30. SHARE CAPITAL

	<i>Number of ordinary shares</i>			
	<i>As at 31 December</i>			<i>As at 30 June</i>
	<i>2010</i> <i>million</i>	<i>2011</i> <i>million</i>	<i>2012</i> <i>million</i>	<i>2013</i> <i>million</i> <i>(unaudited)</i>
Issued and fully paid				
At beginning of the year/period	3,600	3,736	3,736	3,736
Issuance of ordinary shares (note i)	136	-	-	-
At end of the year/period	<u>3,736</u>	<u>3,736</u>	<u>3,736</u>	<u>3,736</u>

	<i>As at 31 December</i>			<i>As at 30 June</i>
	<i>RMB'million</i>			<i>RMB'million</i> <i>(unaudited)</i>
	<i>2010</i> <i>RMB'million</i>	<i>2011</i> <i>RMB'million</i>	<i>2012</i> <i>RMB'million</i>	<i>2013</i> <i>RMB'million</i> <i>(unaudited)</i>
Issued and fully paid				
At beginning of the year/period	3,600	3,736	3,736	3,736
Issuance of ordinary shares (note i)	136	-	-	-
At end of the year/period	<u>3,736</u>	<u>3,736</u>	<u>3,736</u>	<u>3,736</u>

Note:

- (i) On 13 December 2010, 136,000,000 ordinary shares were issued of RMB1 at par value, for a consideration of RMB1.05 per share.

31. RESERVES

(a) **Nature of the reserves**

(i) **Share premium**

Included in share premium are reserves resulting from the amount subscribed for share capital in excess of nominal value.

(ii) **Capital reserve**

Capital reserve represents the difference between share capital of the company and the aggregate nominal value of the respective share capital paid in capital of the companies now comprising the Group.

(iii) **Merger reserve**

The merger reserve represents the difference between total capital contributions of certain subsidiaries over the consideration paid by the Group in the consolidated financial statements as at the completion date of the acquisition.

(iv) **Revaluation reserve**

The property revaluation reserve arose from the transfer of owner-occupied property to investment properties at the date of change in use.

31. RESERVES - Continued

(a) Nature of the reserves

(v) Statutory reserve

According to the Articles of Association of the Company, when distributing net profit of each year, the Company shall set aside 10% of it after tax profits for the statutory common reserve fund (except where the fund has reached 50% of the Company's registered capital.) This reserve fund can only be used, upon approval by the relevant authority to offset accumulated deficit or increase in capital and is not distributable as cash dividends.

(vi) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations in the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 4(q).

32. LEASE

Operating leases - lessor

Rental income of the investment properties amounted to RMB1,271 million, RMB2,515 million, RMB3,973 million, RMB1,756 million and RMB2,737 million for 31 December 2010, 2011 and 2012 and period ended 30 June 2012 and 2013 respectively. The investment properties held have committed tenants for the next one to fifteen years at fixed rentals. Included in the rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2010, 2011 and 2012 and period ended 30 June 2012 and 2013 amounting to RMB102 million, RMB270 million, RMB468 million, RMB210 million and RMB339 million respectively. These contingent rentals are generally based on specified percentages of turnover of the tenants.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments which fall due as follows:

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Within one year	2,180	3,285	4,761	6,323
In the second to fifth years inclusive	9,491	13,599	23,256	26,009
Over five years	10,897	14,557	13,875	15,943
	<u>22,568</u>	<u>31,441</u>	<u>41,892</u>	<u>48,275</u>

32. LEASE - Continued

Operating leases - lessee

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Within one year	11	13	20	43
In the second to fifth years inclusive	10	20	28	94
Over five years	-	-	-	-
	<u>21</u>	<u>33</u>	<u>48</u>	<u>137</u>

Operating lease payments represent rentals payable by the Group for certain offices premises. Leases are negotiated for 1 to 3 years with fixed rentals.

33. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2013 RMB'million (unaudited)
Commitments for the acquisition of land use right and construction contracts:				
- authorised but not contracted for	-	-	-	-
- contracted for but not provided	46,712	73,033	96,216	109,726
Commitment for the capital injection into an associate	-	-	-	700
	<u>46,712</u>	<u>73,033</u>	<u>96,216</u>	<u>110,426</u>

34. BUSINESS ACQUISITION DURING THE YEAR

(a) Acquisition of Wanda Commercial

On 25 June 2013, the Group has acquired 65% equity interest in Wanda Commercial, a company listed in Hong Kong Stock Exchanges for a cash consideration of RMB370 million. The principal activity of Wanda Commercial is property development and investment. The directors of the Group considered the acquisition should expand the Group's existing scale of operation and enlarge the Group's market presence. Goodwill arose in the business combination because of the expected synergies and future market development.

34. BUSINESS ACQUISITION DURING THE YEAR - Continued

(a) Acquisition of Wanda Commercial - Continued

The fair value of identifiable assets and liabilities acquired and the goodwill arising as at the date of acquisition were, provisionally determined, as follows:

	RMB' million
Property, plant and equipment (note 14)	13
Land use rights (note 16)	17
Investment properties (note 15)	1,980
Deferred tax assets (note 29)	57
Inventories - Properties held for sales	553
Trade and other receivables	47
Derivative financial asset (note 23)	55
Pledged and restricted bank deposits	50
Bank balances and cash	32
Trade and other payables	(425)
Pre-sales proceeds received on sales of properties	(106)
Borrowings	(250)
Tax payables	(402)
Convertible bonds (note 23)	(176)
Deferred tax liabilities (note 29)	(462)
Less: Non-controlling interest*	<u>(1,498)</u>
	(515)
Goodwill	<u>885</u>
Consideration	<u><u>370</u></u>
Net cash outflow arising on acquisition	
Consideration paid in cash	370
Less: bank balance and cash	<u>(32)</u>
	<u><u>338</u></u>

* The measurement basis for that amount is at the non-controlling interest's proportionate share of the fair value of identifiable assets and liabilities of Wanda Commercial.

Since the acquisition date, Wanda Commercial did not contribute any revenue nor profit or loss to the Group. If the acquisition had occurred on 1 January 2013, the Group's revenue and profit would have been RMB34,965 million and RMB9,544 million respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future performance.

(b) Acquisition of Changbaishan

On 3 June 2013, the Group acquired additional 20% equity interest in a former associate, Changbaishan for a cash consideration of RMB963 million. The transaction resulted in Changbaishan ceasing to be an associate and becoming a subsidiary of the Group. The principle activities of Changbaishan are resort development, construction operation and management in PRC. The directors of the Group considered the acquisition should expand the Group's existing scale of operation and enlarge the Group's market presence. Goodwill arose in the business combination because of the expected synergies and future market development.

34. BUSINESS ACQUISITION DURING THE YEAR - Continued

(b) Acquisition of Changbaishan - Continued

The fair value of identifiable assets and liabilities acquired and the goodwill arising as at the date of acquisition were, provisionally determined, as follows:

	RMB' million
Property, plant and equipment (note 14)	4,718
Investment properties (note 15)	471
Construction in progress (note 14)	1,523
Deferred tax assets (note 29)	16
Land use rights(note 16)	507
Intangible assets (note 18)	7
Trade and other receivables	138
Bank balances and cash	566
Inventories	4,931
Trade and other payables	(3,907)
Deferred tax liabilities (note 29)	(415)
Deferred income	(745)
Pre-sales proceeds received on sales of properties	(355)
Borrowings	<u>(4,685)</u>
Total identifiable net assets at fair value acquired of acquisition	2,770
Non-controlling interest*	<u>(970)</u>
	1,800
Goodwill	<u>733</u>
	<u><u>2,533</u></u>
Satisfied by:	
Cash Consideration	963
Fair value of equity interest previously held as investments in an associate	<u>1,570</u>
	<u><u>2,533</u></u>

34. BUSINESS ACQUISITION DURING THE YEAR - Continued

(b) Acquisition of Changbaishan - Continued

* The measurement basis for that amount is at the non-controlling interest's proportionate share of the fair value of identifiable assets and liabilities of Changbaishan.

Since the acquisition date, Changbaishan did not contribute any revenue nor profit or loss to the Group. If the acquisition had occurred on 1 January 2013, the Group's revenue and profit would have been RMB33,950 million and RMB9,018 million respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future performance.

(c) Acquisition of 西双版纳国际旅游度假区开发有限公司 (“Xishuangbanna”)

On 13 December 2012, the Group acquired 20% equity interest in Xishuangbanna for a cash consideration of RMB408 million. Further, the Group increased its equity interest to 55% by capital injection of RMB700 million into Xishuangbanna. The principle activity of Xishuangbanna is resort development and management in PRC. The directors of the Group considered the acquisition should expand the Group's existing scale of operation and enlarge the Group's market presence. Goodwill arose in the business combination because of the expected synergies and future market development.

34. BUSINESS ACQUISITION DURING THE YEAR - Continued

(c) Acquisition of 西双版纳国际旅游度假区开发有限公司 (“Xishuangbanna”) - Continued

The fair value of identifiable assets and liabilities acquired and the goodwill arising as at the date of acquisition were, provisionally determined, as follows:

	RMB' million
Property, plant and equipment (note 14)	10
Construction in progress (note 14)	60
Land use rights (note 16)	137
Trade and other receivables	657
Bank balance and cash	882
Prepaid tax	24
Inventories	1,078
Trade and other payables	(241)
Deferred tax liabilities (note 29)	(15)
Pre-sales proceeds received on sales of properties	(490)
Borrowings	(115)
Fair value of identifiable assets and liabilities of Xishuangbanna	1,987
Non-controlling interest*	(879)
Total identifiable assets at fair value acquired	<u>1,108</u>
Satisfied by:	
Cash consideration paid for acquisition of 20% equity interest	408
Capital injection in cash	700
	<u>1,108</u>
Net cash outflow arising on acquisition	
Consideration paid in cash	408
Less: cash and cash equivalents acquired, net	(182)
	<u>226</u>

* The measurement basis for that amount is at the non-controlling interest's proportionate share of the fair value of identifiable assets and liabilities of Xishuangbanna.

Since the acquisition date, Xishuangbanna did not contribute any revenue nor profit or loss to the Group. If the acquisition had occurred on 1 January 2012, the Group's revenue and profit would have been RMB62,877 million and RMB29,239 million respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future performance.

35. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Group has entered into the following transactions with related parties:

(a) Transactions and balances with related parties

	For the year ended 31 December			For the six months ended 30 June	
	2010 RMB'million	2011 RMB'million	2012 RMB'million	2012 RMB'million (unaudited)	2013 RMB'million (unaudited)
Ultimate holding company:					
Disposal of an associate	321	-	-	-	-
Acquisition of subsidiaries	-	1,935	408	-	-
Acquisition of an associate	-	-	1,558	-	-
Management fee income	1	-	-	-	1
Rental income	-	-	3	-	-
Amount due to the ultimate holding company (note(ii))	649	300	300	301	300
Amount due from the ultimate holding company (note(ii))	302	-	-	-	-
Fellow subsidiaries:					
Disposal of property, plant and equipment	-	7	-	-	-
Acquisition of investment properties	-	1,529	-	-	-
Purchase of commodities	37	77	50	15	66
Rental expenses	-	9	-	-	-
Management fee income	54	76	109	48	64
Rental income	59	156	238	110	136
Amounts due to fellow subsidiaries (note(ii))	10	31	54	53	64
Amounts due from fellow subsidiaries (note(ii))	81	14	25	10	21
Companies controlled by the controlling shareholder:					
Purchase of commodities	-	4	3	1	1
Rental income	152	349	585	256	348
Management fee income	27	57	93	41	65
Amounts due to companies controlled by the controlling shareholder (note(ii))	-	5	34	22	68
Amounts due from companies controlled by the controlling shareholder (note(ii))	18	32	45	28	3
Borrowings from companies controlled by the controlling shareholder (note(iii))	1,500	500	-	-	-

35. RELATED PARTY TRANSACTIONS - Continued

(a) Transactions and balances with related parties - Continued

	For the year ended 31 December			For the six months ended 30 June	
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2012 <i>RMB'million</i> <i>(unaudited)</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Associate:					
Consultancy fee income	-	-	18	-	14
Amount due from an associate (note(ii))	-	-	122	-	-
Associate of ultimate holding company:					
Consultancy fee income	-	9	-	-	-
Management fee income	1	-	-	-	-
Companies controlled by close family members of shareholder:					
Management fee income	6	-	-	-	-
Rental income	16	-	-	-	-
Shareholders with more than 5% shareholding of the Company					
Borrowings from shareholder with more than 5% shareholding of the Company (note (iii))	800	-	-	-	-

Notes:

- (i) The transactions with the related parties were negotiated at arm-length and in accordance with common commercial terms in the same manners as other external suppliers, customers and other counterparties.
- (ii) The amounts are interest free, unsecured and repayable on demand.
- (iii) The amounts are interest bearing at a rate ranging from 7% to 8% per annum, unsecured and settled according to the contract terms.

35. RELATED PARTY TRANSACTIONS - Continued

(b) Guarantees provided by related parties

The ultimate holding company and the controlling shareholder of the Group have given guarantees to banks to obtain borrowings granted to the Group:

	For the year ended 31 December			For the six months ended 30 June	
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2012 <i>RMB'million</i> <i>(unaudited)</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Guarantees given by ultimate holding company and controlling shareholder	47,435	48,381	13,703	20,835	21,863
Outstanding balance of guaranteed loan	34,652	33,261	6,971	18,996	17,261

(c) Compensation of key management personnel

Remuneration of key management personnel of the Group during the Relevant Periods were as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2012 <i>RMB'million</i> <i>(unaudited)</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Salaries and other short-term employee benefits	19	26	42	13	10
Contribution to defined contributions plans	-	-	-	-	-
	<u>19</u>	<u>26</u>	<u>42</u>	<u>13</u>	<u>10</u>

36. CONTINGENCIES

	As at 31 December			As at 30 June
	2010 <i>RMB'million</i>	2011 <i>RMB'million</i>	2012 <i>RMB'million</i>	2013 <i>RMB'million</i> <i>(unaudited)</i>
Guarantees in respect of mortgage facilities for certain purchasers (note)	17,682	29,317	34,073	42,155

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon receiving the building ownership certificate of the respective properties by the banks from the purchasers as a pledge for security to the mortgage loans granted. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities as defined in Note 4(k):

	2010		2011		2012		2013	
	Carrying amount RMB' million	Fair value RMB' million	Carrying amount RMB' million	Fair value RMB' million	Carrying amount RMB' million	Fair value RMB' million	Carrying amount RMB' million (unaudited)	Fair value RMB' million (unaudited)
Financial assets								
Loans and receivables (including cash and bank)	40,208	40,208	48,939	48,939	55,507	55,507	81,986	81,986
Available-for-sale financial assets	2	2	10	10	10	10	40	40
Derivative financial asset	-	-	-	-	-	-	55	55
	2010		2011		2012		2013	
Financial liabilities	Carrying amount RMB' million	Fair value RMB' million	Carrying amount RMB' million	Fair value RMB' million	Carrying amount RMB' million	Fair value RMB' million	Carrying amount RMB' million (unaudited)	Fair Value RMB' Million (unaudited)
Financial liabilities measured at amortised cost	73,509	73,509	97,013	97,013	125,361	125,361	173,350	173,350
Convertible bonds	-	-	-	-	-	-	62	62

(a) The fair values of financial assets and financial liabilities are determined as follows:

(i) Fair value hierarchy

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange and debentures).

The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for option derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY - Continued

(a) The fair values of financial assets and financial liabilities are determined as follows: - Continued

(i) Fair value hierarchy - Continued

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 30 June 2013			
	Level 1 <i>RMB'million</i>	Level 2 <i>RMB'million</i>	Level 3 <i>RMB'million</i>	Total <i>RMB'million</i>
Recurring Fair Value Measurements :				
Financial assets at fair value through profit or loss				
- Derivative financial asset	-	55	-	55

For the 6 months period ended 30 June 2013, there was no transfers among Level 1, Level 2 and Level 3.

Except for the derivative financial assets, the carrying amounts of financial assets including trade and other receivables, pledged and restricted bank deposits and bank balance and cash; and financial liabilities including trade and other payables and borrowings, approximate their respective fair value due to their short maturity at each of the reporting dates.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the convertible bond redemption option is determined using binomial tree model.

38. FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk management

Expose to credit risk, interest rate risk and liquidity risk in the normal course of the Group's business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management of the Group then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuation, if any, in interest rates. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(a) Credit risk

Credit risk refers to the risk that counter parties will default on contractual obligations resulting in financial loss to the Group. In order to minimise the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade and other receivables at the end of the reporting period. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk, in which exposure is spread over a number of counterparties and customers.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customer's borrowing of mortgage loans to finance their purchase of the properties. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to resell the repossessed properties. Therefore, the management considers the Group would likely recover any loss incurred arising from the guarantees. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

38. FINANCIAL RISK AND CAPITAL MANAGEMENT - Continued

Financial risk management - Continued

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank and other borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China prescribed interest rate arising from the Group's RMB borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates risk at the end of the reporting period. For floating-rate bank and other borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease in used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit for the year ended 31 December 2010, 2011 and 2012 and period ended 30 June 2013 would decrease/increase by RMB194 million, RMB250 million, RMB339 million and RMB232 million. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings.

38. FINANCIAL RISK AND CAPITAL MANAGEMENT - Continued

Financial risk management - Continued

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For the period ended 30 June 2013 (<i>unaudited</i>)	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than		Total undiscounted cash flows RMB'million	Carrying amount at 30 June 2013 RMB'million
			1 year but less than 2 years RMB'million	2 years but less than 5 years RMB'million		
Non-derivative financial liabilities						
Trade and other payables	-	37,178	-	-	37,178	37,178
Bank and other borrowings	7.75	28,494	43,749	53,259	170,868	136,172
Convertible bonds	8.00	5	6	79	90	62
Financial guarantee contracts	-	42,155	-	-	42,155	-
		107,832	43,755	53,338	250,291	173,412

38. FINANCIAL RISK AND CAPITAL MANAGEMENT - Continued

Financial risk management - Continued

(c) Liquidity risk - Continued

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31 December 2012 RMB'million
For the year ended 31 December 2012							
Non-derivative financial liabilities							
Trade and other payables	-	32,133	-	-	-	32,133	32,133
Bank and other borrowings	7.90	29,042	25,527	33,803	31,543	119,915	93,228
Financial guarantee contracts	-	34,073	-	-	-	34,073	-
		<u>95,248</u>	<u>25,527</u>	<u>33,803</u>	<u>31,543</u>	<u>186,121</u>	<u>125,361</u>
For the year ended 31 December 2011							
Non-derivative financial liabilities							
Trade and other payables	-	27,266	-	-	-	27,266	27,266
Bank and other borrowings	7.43	21,783	18,723	27,140	20,028	87,674	69,747
Financial guarantee contracts	-	29,317	-	-	-	29,317	-
		<u>78,366</u>	<u>18,723</u>	<u>27,140</u>	<u>20,028</u>	<u>144,257</u>	<u>97,013</u>

38. FINANCIAL RISK AND CAPITAL MANAGEMENT - Continued

Financial risk management - Continued

(c) Liquidity risk - Continued

For the year ended 31 December 2010	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount at 31 December 2010 RMB'million
Non-derivative financial liabilities							
Trade and other payables	-	12,870	-	-	-	12,870	12,870
Bank and other borrowings	6.24	12,669	19,657	28,221	14,242	74,789	60,639
Financial guarantee contracts	-	17,682	-	-	-	17,682	-
		<u>43,221</u>	<u>19,657</u>	<u>28,221</u>	<u>14,242</u>	<u>105,341</u>	<u>73,509</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for floating interest rate instruments for non-derivative financial liabilities are subject to change if changes in floating interest rates differ to those estimates of interest rates determined at the end of the reporting period.

38. FINANCIAL RISK AND CAPITAL MANAGEMENT - Continued

Financial risk management - Continued

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising share premium, capital reserve, merger reserve, convertible bond reserve, revaluation reserve and retained earnings as well as non-controlling interests as disclosed in note 31.

The Group monitors its capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest-bearing bank and other borrowings less restricted bank balances, pledged deposits and cash and cash equivalents. Total equity represents equity attributable to owners of the parent and non-controlling interests. The Group aims to maintain the net debt-to-adjusted equity ratio at a reasonable level. The net debt-to-equity ratio at each of the end of the reporting period was as follows:

	For the year ended 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i> <i>(unaudited)</i>
Total borrowings (note 27)	60,639	69,747	93,228	136,172
Less:				
Bank balances and cash	(35,090)	(44,048)	(48,585)	(73,681)
Pledged and restricted bank deposits	(734)	(2,212)	(2,131)	(2,602)
Net debts	24,815	23,487	42,512	59,889
Total Equity	37,651	58,109	86,404	95,896
Debt to equity ratio	66%	40%	49%	62%

As disclosed in note 31(a)(v) to the consolidated financial statements, all PRC subsidiaries of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group is in compliance with the externally imposed capital requirement during the Relevant Periods.

38. FINANCIAL RISK AND CAPITAL MANAGEMENT - Continued

Financial risk management - Continued

(e) Fair values

The carrying amounts of the financial assets and financial liabilities in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments.

As disclosed in note 20 to the consolidated financial statements, the available-for-sale financial assets of the Group are not stated at fair value but at cost less any accumulated impairment losses because fair values of which cannot be reasonably assessed and therefore, no disclosure of the fair values of these financial instruments is made.

39. FAIR VALUE MEASUREMENT

	Fair value measurement using			Fair value RMB'million
	Quoted prices in active market for identical assets (Level 1) RMB'million	Significant other observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	
Non-financial assets - Investment properties				
At 31 December 2010	-	55,469	-	-
At 31 December 2011	-	89,859	-	-
At 31 December 2012	-	135,064	-	-
At 30 June 2013 (<i>unaudited</i>)	-	147,489	-	-

For the year ended 31 December 2010, 2011 and 2012 and period ended 30 June 2013, there were no transfers among Level 1, Level 2 and Level 3 during the year/period.

Level 2 fair values of investment properties have been generally derived using the market value on an existing use basis which involves certain estimates, including comparable market transactions, where appropriate capitalisation rate and reversionary income potential.

40. EVENT AFTER THE REPORTING DATE

Pursuant to the Shareholders' Agreement dated 6th September, 2013, Wanda Commercial Properties (Hong Kong) Co. Limited ("Wanda (HK)") and Wanda Commercial, a subsidiary of Wanda (HK), have agreed to establish a Joint Venture (subject to a 40% and 60% ownership respectively) for the purposes of acquiring and owning the property situated on London, United Kingdom, redeveloping it into a hotel, residential, office and retail complex and operating such complex. The costs of the redevelopment is subject to a cap of HK\$3,000,000,000 of total capital commitment and the completion of the Shareholders' Agreement shall be conditional upon the Company having obtained (i) the Independent Shareholders' approval of the Shareholders' Agreement and (ii) financing in the amount of £60,000,000 and US\$20,000,000.

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES

Particular of the Company's subsidiaries at each of the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
万达酒店建设有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Property development, project design, hotel management and consulting
万达商业管理有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Business and hotel management and property management
万达商业规划研究院有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Business planning, urban planning and project consulting
北京景藏健康置业有限公司	PRC	RMB60,000,000	100%	100%	100%	100%	Development, investment and management of property
北京万达广场房地产开发有限公司	PRC	RMB200,000,000	-	100%	100%	100%	Development, management and sales of property
北京银河万达置业有限公司	PRC	RMB28,000,000	100%	100%	100%	100%	Development, management and sales of property
成都万达商业广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development, management and sales of property
重庆万达酒店管理有限公司	PRC	RMB10,000,000	100%	100%	100%	100%	Hotel management and catering
重庆万达商业广场有限公司	PRC	RMB200,000,000	100%	100%	100%	100%	Development, leasing and sales of property
大连明珠房地产开发有限公司	PRC	RMB150,000,000	100%	100%	100%	100%	Property development
大连万达集团吉林市房地产有限公司	PRC	RMB30,000,000	100%	100%	-	-	Property development
哈尔滨万达商业投资有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Hotel management, development and leasing of property
济南万达商业广场置业有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and sales of property
昆明万达房地产有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Development of property and sports facilities
南昌万达房地产开发有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Development and management of property

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
南京万达房地产开发有限公司	PRC	RMB115,000,000	100%	100%	100%	100%	Property development and sales of construction materials.
南京万达广场投资有限公司*	PRC	RMB300,000,000	100%	100%	100%	100%	Development, management and leasing of property
宁波万达商业广场有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Development, management and leasing of property
宁波万达置业有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Development, management and leasing of property
青岛万达广场置业有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Development, management and leasing of property
三亚万达大酒店有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Hotel operation and catering
四川万达大酒店管理有限公司	PRC	RMB160,000,000	-	100%	100%	100%	Hotel management
上海万达广场置业有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development, management and leasing of property
上海万达商业广场置业有限公司	PRC	RMB80,000,000	100%	100%	100%	100%	Development, management and leasing of property
沈阳万达房地产有限公司*	PRC	RMB1,600,000,000	100%	100%	100%	100%	Development, management and leasing of property
苏州万达广场投资有限公司	PRC	RMB90,000,000	100%	100%	100%	100%	Development, management and leasing of property
太原万达广场有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development, management and leasing of property
无锡万达商业广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Property development
西安万达商业广场有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Development, management and leasing of property
吉林省地王置业开发有限公司*	PRC	RMB1,050,000,000	100%	100%	100%	100%	Development and leasing of property
广州市万诺投资管理有限公司	PRC	RMB8,000,000	-	100%	100%	100%	Investment, property development and hotel

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
洛阳万达建业置业有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Property development
陕西华源房地产开发有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Property development and hotel management
陕西银丰民乐置业有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Development and leasing of property
Xishuangbanna##	PRC	RMB2,000,000,000	-	-	55%	60%	Development and management of resort
蚌埠万达广场有限公司*	PRC	RMB350,000,000	-	100%	100%	100%	Development, management and leasing of property and hotel management
包头万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Investment and property development
北京万方置业有限公司	PRC	RMB1,000,000,000	-	-	100%	100%	Development, management and leasing of property
长春宽城万达广场有限公司	PRC	RMB100,000,000	-	100%	100%	100%	Development and leasing of property
重庆万州万达酒店管理有限公司	PRC	RMB10,000,000	100%	100%	100%	100%	Hotel management
重庆万州万达商业广场有限公司	PRC	RMB200,000,000	100%	100%	100%	100%	Development and leasing of property
长沙开福万达广场投资有限公司*	PRC	RMB3,060,000,000	-	100%	100%	100%	Development and leasing of property
常州武进万达广场投资有限公司	PRC	RMB900,000,000	-	-	100%	100%	Development and sales of property
常州新北万达广场投资有限公司*	PRC	RMB1,030,000,000	100%	100%	100%	100%	Development, leasing and sales of property
成都金牛万达广场投资有限公司*	PRC	RMB2,040,000,000	100%	100%	100%	100%	Investment and property development
赤峰万达广场有限公司*	PRC	RMB400,000,000	-	100%	100%	100%	Development and leasing of property
大庆萨尔图万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Investment and property development
丹东万达广场有限公司*	PRC	RMB550,000,000	-	-	100%	100%	Development, leasing and sales of property and hotel management
东莞长安万达广场有限公司*	PRC	RMB100,000,000	-	100%	100%	100%	Development and leasing of property
东莞东城万达广场投资有限公司	PRC	RMB500,000,000	-	-	100%	100%	Property development and hotel investment
佛山南海万达广场有限公司	PRC	RMB600,000,000	-	-	100%	100%	Development and investment of property

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
福清万达广场有限公司	PRC	RMB400,000,000	-	-	100%	100%	Development and sales of property
福州万达广场投资有限公司*	PRC	RMB1,100,000,000	100%	100%	100%	100%	Development, leasing and sales of property and hotel operation
抚顺万达广场有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and leasing of property
广州万达广场投资有限公司*	PRC	RMB1,632,650,000	100%	100%	100%	100%	Property development
广州增城万达广场有限公司	PRC	RMB250,000,000	-	-	100%	100%	Development and investment of property
哈尔滨哈西万达广场有限公司	PRC	RMB100,000,000	-	100%	100%	100%	Development, management and leasing of property
合肥天鹅湖万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and leasing of property
合肥万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and leasing of property and catering
呼和浩特万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and investment of property
淮安万达广场投资有限公司	PRC	RMB170,000,000	100%	100%	100%	100%	Development, sales and leasing of property
济宁太白路万达广场有限公司	PRC	RMB100,000,000	-	100%	100%	100%	Development, management and leasing of property and hotel management
江阴万达广场投资有限公司	PRC	RMB1,300,000,000	100%	100%	100%	100%	Development, management and leasing of property and hotel management
金华万达广场投资有限公司	PRC	RMB800,000,000	-	-	100%	100%	Business investment and management and property development
晋江万达广场有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and leasing of property
荆州万达广场投资有限公司	PRC	RMB600,000,000	-	-	100%	100%	Development and investment of property
昆明万达广场投资有限公司*	PRC	RMB600,000,000	-	-	100%	100%	Project investment and project management
兰州万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and investment of property

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
廊坊万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development, investment, leasing, management and sales of property
廊坊万达学苑投资有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Development and investment of property
龙岩万达广场投资有限公司	PRC	RMB800,000,000	-	-	100%	100%	Development, leasing, management and sales of property
马鞍山万达广场投资有限公司*	PRC	RMB800,000,000	-	-	100%	100%	Development, leasing, management and sales of property
满洲里万达广场有限公司	PRC	RMB150,000,000	-	-	100%	100%	Development, leasing, management and sales of property
绵阳涪城万达广场有限公司	PRC	RMB100,000,000	-	100%	100%	100%	Development and investment of property
绵阳经开万达广场投资有限公司	PRC	RMB800,000,000	-	-	100%	100%	Property development
南昌红谷滩万达广场投资有限公司*	PRC	RMB100,000,000	100%	100%	100%	100%	Development, investment and leasing of property
南京江宁万达广场有限公司*	PRC	RMB400,000,000	-	100%	100%	100%	Development and leasing of property and hotel management
南宁青秀万达广场投资有限公司	PRC	RMB1,000,000,000	-	-	100%	100%	Development, investment and leasing of property and hotel investment
宁波江北万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Business investment, development and leasing of property
宁德万达广场有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and leasing of property
莆田万达广场有限公司	PRC	RMB100,000,000	-	100%	100%	100%	Development, leasing and management of property
齐齐哈尔万达广场投资有限公司	PRC	RMB600,000,000	-	-	100%	100%	Development and investment of property
青岛李沧万达广场投资有限公司*	PRC	RMB100,000,000	100%	100%	100%	100%	Development, leasing and sales of property

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
泉州浦西万达广场投资有限公司*	PRC	RMB311,300,000	100%	100%	100%	100%	Construction, development, investment and leasing of property
上海宝山万达投资有限公司	PRC	RMB100,000,000	65%	65%	65%	65%	Business investment and property development
上海嘉定万达投资有限公司	PRC	RMB50,000,000	100%	100%	100%	100%	Business investment and property development
上海松江万达广场投资有限公司	PRC	RMB200,000,000	-	100%	100%	100%	Business investment, Department stores and property development
上海万达酒店投资有限公司	PRC	RMB50,000,000	-	-	100%	100%	Business investment, business management and consulting
绍兴柯桥万达广场投资有限公司*	PRC	RMB2,100,000,000	100%	100%	100%	100%	Development and leasing of property, business investment and hotel investment
沈阳奥体万达广场有限公司*	PRC	RMB300,000,000	-	100%	100%	100%	Development, leasing and sales of property
石家庄万达广场投资有限公司*	PRC	RMB3,125,000,000	100%	100%	100%	100%	Development and leasing of property, business investment and consulting
太仓万达广场投资有限公司*	PRC	RMB1,630,000,000	-	100%	100%	100%	Project investment, leasing and management of property
泰州海陵万达广场投资有限公司*	PRC	RMB1,250,000,000	100%	100%	100%	100%	Development and leasing of property
唐山万达广场投资有限公司	PRC	RMB2,400,000,000	100%	100%	100%	100%	Property development
天津河东万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Business investment and property development
武汉东湖中央文化旅游区建设有限公司	PRC	RMB500,000,000	100%	-	-	-	Construction, development and investment of property and shopping mall
天津万达中心投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development, management, leasing and sales of property
万达酒店设计研究院有限公司	PRC	RMB50,000,000	-	-	100%	100%	Computer graphic design and services
潍坊万达广场有限公司*	PRC	RMB400,000,000	-	-	100%	100%	Development and sales of property and business investment

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
温州龙湾万达广场投资有限公司*	PRC	RMB100,000,000	-	100%	100%	100%	Development, leasing and sales of property
无锡惠山万达广场有限公司	PRC	RMB960,000,000	-	100%	100%	100%	Development, leasing and management of property and hotel management
芜湖万达广场有限公司*	PRC	RMB100,000,000	-	100%	100%	100%	Development and sales of property
武汉经开万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and sales of property
武汉万达东湖置业有限公司	PRC	RMB2,700,000,000	-	100%	100%	100%	Business investment and property development
武汉万达广场投资有限公司	PRC	RMB1,224,490,000	100%	100%	100%	100%	Business investment and development, leasing and sales of property
武汉武昌万达广场投资有限公司*	PRC	RMB100,000,000	100%	100%	100%	100%	Business investment, development and sales of property
西安大明宫万达广场有限公司*	PRC	RMB600,000,000	-	100%	100%	100%	Development, leasing, management and sales of property
厦门湖里万达广场投资有限公司*	PRC	RMB1,800,000,000	100%	100%	100%	100%	Investment, leasing and sales of property
厦门集美万达广场有限公司	PRC	RMB200,000,000	-	100%	100%	100%	Development, investment, leasing and sales of property
襄樊万达广场投资有限公司*	PRC	RMB2,080,000,000	100%	100%	100%	100%	Development, management and leasing of property and hotel management
徐州万达广场有限公司	PRC	RMB350,000,000	-	100%	100%	100%	Business investment, investment and leasing of property
烟台芝罘万达广场有限公司	PRC	RMB50,000,000	70%	70%	70%	70%	Development, investment, leasing and sales of property
宜昌万达广场投资有限公司	PRC	RMB80,000,000	100%	100%	100%	100%	Business investment and property development
宜兴万达广场有限公司#	PRC	RMB930,000,000	-	100%	70%	70%	Development and leasing of property and hotel management
银川金凤万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development, leasing and sales of property

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
银川万达投资置业有限公司	PRC	RMB100,000,000	-	-	100%	100%	Development, leasing and sales of property
银川西夏万达广场有限公司	PRC	RMB500,000,000	-	-	100%	100%	Development, leasing and sales of property
营口万达广场投资有限公司	PRC	RMB600,000,000	-	-	100%	100%	Development, leasing and sales of property
余姚万达广场投资有限公司	PRC	RMB250,000,000	-	100%	100%	100%	Development, investment and leasing of property
漳州万达广场有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development, investment, leasing and sales of property
镇江万达广场投资有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and sales of property and business management
郑州二七万达广场有限公司	PRC	RMB100,000,000	100%	100%	100%	100%	Development and leasing of property and business investment
郑州万达广场投资有限公司*	PRC	RMB2,050,000,000	100%	100%	100%	100%	Business investment and property development.
南昌万达城投资有限公司	PRC	RMB490,000,000	-	-	-	70%	Property development
通辽万达广场投资有限公司	PRC	RMB500,000,000	-	-	-	100%	Property development
西宁万达广场投资有限公司	PRC	RMB800,000,000	-	-	-	100%	Property development
泰安万达广场投资有限公司	PRC	RMB 500,000,000	-	-	-	100%	Property development
德州万达广场投资有限公司	PRC	RMB 600,000,000	-	-	-	100%	Property development
万达信息科技有限公司	PRC	RMB60,000,000	-	-	-	100%	Property development
嘉兴万达广场有限公司	PRC	RMB800,000,000	-	-	-	100%	Property development
江门万达广场投资有限公司	PRC	RMB600,000,000	-	-	-	100%	Property development

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
安阳万达广场投资有限公司	PRC	RMB 600,000,000	-	-	-	100%	Property development
哈尔滨万达城投资有限公司	PRC	RMB 1,260,000,000	-	-	-	70%	Property development
杭州拱墅万达广场投资有限公司	PRC	RMB 800,000,000	-	-	-	100%	Property development
温州平阳万达广场投资有限公司	PRC	RMB 600,000,000	-	-	-	100%	Property development
佳木斯万达广场投资有限公司	PRC	RMB500,000,000	-	-	-	100%	Property development
郑州金水万达广场投资有限公司	PRC	RMB700,000,000	-	-	-	100%	Property development
广元万达广场投资有限公司	PRC	RMB500,000,000	-	-	-	100%	Property development
鸡西万达广场投资有限公司	PRC	RMB300,000,000	-	-	-	100%	Property development
上海金山万达广场投资有限公司	PRC	RMB700,000,000	-	-	-	100%	Property development
渭南万达广场投资有限公司	PRC	RMB300,000,000	-	-	-	100%	Property development
东营大连万达广场投资有限公司	PRC	RMB500,000,000	-	-	-	100%	Property development
Wanda Commercial	Hong Kong	HKD1,000,000	-	-	-	65%	Property development
Amazing Wise Limited	BVI	USD10	-	-	-	65%	Investment holding
Dalong Industrial Group Limited	Hong Kong	HKD100,000	-	-	-	65%	Investment holding
Fujian Zhonglu Real Estate Development (HK) Limited	Hong Kong	HKD1,000	-	-	-	65%	Treasury
Fujian Zhonglu Real Estate Development Co., Ltd.	PRC	RMB129,820,000	-	-	-	62%	Property development

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group				Principal activities
			2010	2011	2012	2013	
Fujian Hengli Real Estate Development Co., Ltd.	PRC	RMB180,000,000	-	-	-	65%	Property development
Fujian Hengli Commercial Properties Co., Ltd.	PRC	RMB321,600,000	-	-	-	65%	Property development
Fujian Hengli Bona Plaza Development Co., Ltd.^	PRC	RMB105,000,000	-	-	-	46%	Property development
Fujian Hengli & Savills Property Management Co., Ltd.^	PRC	RMB500,000	-	-	-	36%	Property development
Fujian Hengli Assets Management Co., Ltd.	PRC	-	-	-	-	65%	Property development
Changbaishan	PRC	RMB 2,800,000,000	-	-	-	65%	Development, leasing and management of property and hotel management
抚松长白山旅游度假区供暖有限公司	PRC	RMB 1,000,000	-	-	-	65%	Development, leasing and management of property and hotel management
吉林省长白山旅游度假区物业管理有限公司	PRC	RMB 500,000	-	-	-	65%	Development and sales of property
Wanda (HK)	Hong Kong	HKD 1	-	-	-	100%	Investment holding
Wanda Real Estate Investments Limited	BVI	HKD 10,000	-	-	-	100%	Investment holding
Wanda Commercial Properties Overseas Limited	BVI	HKD 10,000	-	-	-	100%	Investment holding
Wanda Commercial Group Americas, LLC	USA	-	-	-	-	100%	Treasury

* The Group's certain interests in these entities have been pledged as a collateral for bank borrowings (note 27 (ii)).

^ The Group holds 65% interest in Wanda which indirectly held 70% interest in Fujian Hengli Bona Plaza Development Co. Limited and 55% interest in Fuzhou Hengli & Savills Property Management Co. Limited.

During the year ended 31 December 2012, the Group disposed of 30% of its equity interest in 宜兴万达广场有限公司, reducing its continuing interest to 70%. The proceeds on disposal of RMB90 million were received in cash.

41. PARTICULAR OF SIGNIFICANT SUBSIDIARIES - Continued

The transaction has been accounted for as an equity transaction with non-controlling interests (NCI), resulting in the following:

	RMB' million
Proceeds from sales of 30% equity interest	90
Net assets attributable to NCI	<u>162</u>
Decrease equity attributable of the Company	<u>72</u>
Represented by:	
Decrease in retained profits	<u>72</u>

During the period ended 30 June 2013, the Group acquired 5% equity interest in Xishuangbanna, increasing its continuing interest to 60%. The consideration for the acquisition of RMB130 million was paid in cash.

The transaction has been accounted for as an equity transaction with non-controlling interests (NCI), resulting in the following:

	RMB' million
Consideration paid for 5% equity interest	130
Net assets acquired from NCI	<u>94</u>
Decrease equity attributable of the Company	<u>36</u>
Represented by:	
Decrease in retained profits	<u>36</u>

REVIEW REPORT
TO THE MEMBERS OF WANDA COMMERCIAL PROPERTIES (HONG KONG) CO., LIMITED
(incorporated in Hong Kong with limited liability)

We have reviewed the interim financial statements of Wanda Commercial Properties (Hong Kong) Co., Limited (“the Company”) and its subsidiaries (together “the Group”) set out on pages 3 to 40, which comprise the consolidated statements of financial position as at 30 June 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 6 February 2013 (date of incorporation) to 30 June 2013, and a summary of significant accounting policies and other explanatory information. The directors of the Company are responsible for the preparation of interim financial statements in accordance with International Accounting Standards 34 - Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”).

Our responsibility is to form a conclusion, based on our review, on the interim financial statement and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standards on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial statement consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34.

BDO Limited
Certified Public Accountants
/s/ Cheung Sai Kit
Practising Certificate Number P05544

Hong Kong, 24 October 2013

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	From 6 February 2013 (date of incorporation) to 30 June 2013 <hr style="border: 0.5px solid black;"/> HK\$'000 (unaudited)
Administrative expenses		(3,715)
Finance costs	6	<hr style="border: 0.5px solid black;"/> (295)
Loss before income tax expense	7	(4,010)
Income tax expense	8	<hr style="border: 0.5px solid black;"/> -
Loss and total comprehensive income for the period		<hr style="border: 1px solid black;"/> (4,010)
 Total comprehensive income attributable to:		
Owners of the Company		(4,010)
Non-controlling interests		<hr style="border: 0.5px solid black;"/> -
		<hr style="border: 1px solid black;"/> (4,010)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2013 HK\$'000 (unaudited)
Non-current assets		
Property, plant and equipment	9	16,148
Investment properties	10	2,493,712
Prepaid lease payments	11	21,647
Deposit	14	108,573
Goodwill	12	1,114,187
Deferred tax assets	19	<u>72,433</u>
		<u>3,826,700</u>
Current assets		
Inventories	13	696,000
Trade and other receivables	14	63,129
Derivative financial assets	18	69,599
Pledged and restricted bank deposits	15	63,175
Bank balances and cash		<u>66,280</u>
		<u>958,183</u>
Current liabilities		
Trade and other payables	16	916,125
Pre-sales proceeds received on sales of properties		133,135
Borrowings	17	752,056
Tax payables		<u>506,901</u>
		<u>2,308,217</u>
Net current liabilities		<u>(1,350,034)</u>
Total assets less current liabilities		<u>2,476,666</u>
Non-current liabilities		
Convertible bonds	18	77,185
Deferred tax liabilities	19	<u>582,166</u>
		<u>659,351</u>
Net assets		<u>1,817,315</u>
Capital and reserves attributable to owners of the Company		
Share capital	20	-
Reserves		<u>(4,010)</u>
Equity attributable to owners of the Company		<u>(4,010)</u>
Non-controlling interests		<u>1,821,325</u>
Total equity		<u>1,817,315</u>
On behalf of the board		

/s/ Ding Benxi

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> <i>(unaudited)</i>	Equity attributable to owners of the Company <i>HK\$'000</i> <i>(unaudited)</i>	Non- controlling interests <i>HK\$'000</i> <i>(unaudited)</i>	Total equity <i>HK\$'000</i> <i>(unaudited)</i>
At 6 February 2013 (date of incorporation)	-	-	-	-
Share issued during the period (note 20)	-	-	-	-
Loss and total comprehensive income for the period	-	(4,010)	-	(4,010)
Non-controlling interest arising on business combination (Note 22(a))	-	-	1,886,422	1,886,422
Acquisition of non-controlling interest's equity component of convertible bond	-	-	(65,097)	(65,097)
At 30 June 2013	-	(4,010)	1,821,325	1,817,315

CONSOLIDATED STATEMENTS OF CASH FLOWS

	From 6 February 2013 (date of incorporation) to 30 June 2013 HK\$'000 (unaudited)
Cash flows from operating activities	
Loss for the period	(4,010)
Adjustment for:	
Interest expenses	<u>295</u>
Loss before changes in working capital	<u>(3,715)</u>
Changes in working capital:	
Increase in other receivables	(2,462)
Increase in other payables	<u>3,026</u>
Net cash used in operating activities	<u>(3,151)</u>
Cash flows from investing activities	
Acquisition of a subsidiary, net of cash acquired	(425,480)
Purchase of convertible bonds	(209,129)
Payment for a deposit for acquisition of a property	<u>(108,573)</u>
Net cash used in investing activities	<u>(743,182)</u>
Cash flows from financing activities	
Proceeds from borrowings	690,000
Interest paid	(295)
Proceeds from advance from a related party	116,374
Proceeds from advance from ultimate holding company	<u>6,534</u>
Net cash from financing activities	<u>812,613</u>
Net increase in cash and cash equivalents	66,280
Cash and cash equivalents at beginning of the period	<u>-</u>
Cash and cash equivalents at end of the period	<u><u>66,280</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION, FORMATION OF THE GROUP AND BASIS OF PRESENTATION

Corporate information

Wanda Commercial Properties (Hong Kong) Co. Limited (“the Company”) was incorporated in the Hong Kong on 6 February 2013. The Company’s registered office is located at Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in property letting, sales of development properties and investment holdings in the People’s Republic of China (the “PRC”).

The directors of the Company consider that its ultimate holding Company is Dalian Wanda Group Co. Limited, a private limited liability company incorporated in PRC and its immediate holding company is Dalian Wanda Commercial Properties Co., Limited, a private limited liability company incorporated in PRC.

The consolidated interim financial statements have been approved for issue by the Board of Directors on 24 October 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The interim financial statements have been prepared in accordance with International Accounting Standards 34 - Interim Financial Reporting issued by the International Accounting Standards Board (the “IASB”). They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). All IFRSs effective for the accounting periods commencing from 1 January 2013, together with the relevant transitional provisions, have been adopted by the Company and its subsidiaries (“the Group”) in the preparation of the financial statements throughout the period.

The consolidated financial statements have been prepared under the historical cost basis except for completed investment properties and derivative financial asset, which are measured at fair values as explained in the accounting policies set out below. The consolidated financial statements are presented in HK\$ and all values are rounded to the nearest thousands except when otherwise indicated.

The financial statements have been prepared on a going concern basis notwithstanding that the Group had incurred a loss of HK\$4,010,000 during the period and the Group’s current liabilities exceeded its current assets by HK\$1,350,034,000 as at the end of the reporting period. The going concern basis has been adopted on the basis that the immediate holding company has undertaken to provide continuing financial support to the Group so as to ensure the Group to meet its liabilities as and when they fall due and to enable the Group to continue operating for the foreseeable future.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the consolidated interim financial statements.

IFRS 7 and IFRS 9 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment Entities ¹
IFRS 9 IAS 32 (Amendments)	Financial Instruments ² Presentation - Offsetting Financial Assets and Financial Liabilities ¹
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-financial Assets ¹
IAS 39 (Amendments)	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting ¹
IFRIC Interpretation 21	Levies ¹

¹Effective for annual periods beginning on or after 1 January 2014

²Effective for annual periods beginning on or after 1 January 2015

IFRS 32 - Offsetting Financial Assets and Financial Liabilities

IAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting systems (such as central clear house system which apply gross settlement mechanism that are not simultaneous).

IFRS 9 - Financial Instruments

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group’s financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidations

The acquisition method of accounting is used for all other acquisition of subsidiaries or businesses.

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company (i) has the power over the investee, (ii) is exposed, or has rights to variable returns from its involvement with the investee, and (iii) has the ability to use its power to affect its return. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Basis of consolidations - Continued

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Building situated on leasehold land	Over the shorter of the unexpired term and their estimated useful lives, being no more than 20 to 40 years
Leasehold improvements	5 years or over the lease term whichever is shorter
Motor vehicles	5 years
Furniture, fixtures and equipment	5 to 10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(c) Investment property

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

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Investment property - Continued

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

Property under construction or development for future use as investment properties is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or development is completed, in which time any difference between fair value and the carrying amount will be recognised in profit or loss in the period.

(d) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

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. The equity component is recognised in the convertible bonds equity reserve until either the bond is converted or redeemed.

The convertible bonds redemption options held by the Group are initially measured at fair value and presented as derivative financial instrument (see note 4(h)) and subsequently remeasured in accordance with note 4(h).

If the bond is converted, the convertible bond reserve, together with the carrying amount of the liability component and the derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued.

If the bond is redeemed, any difference between the fair values and the carrying amounts of the liability component and the derivative is recognised immediately in profit or loss. The difference between the total redemption payment and the fair value of the liability component and the derivative is considered as payment to redeem the equity component of the convertible bonds. This deemed redemption payment in relation to the equity component of the convertible bonds is dealt with directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial period. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(f) Leasing

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group as lessee

(i) *The Group is the lessee other than operating lease of land use rights*

Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

(ii) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) Leasing - Continued

The Group as lessor

Assets leased out under operating leases are included in property, plant and equipment and investment properties in the consolidated balance sheet. They are depreciated over their expected useful lives on basis consistent with similar owned property, plant and equipment.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(g) Prepaid lease payments

Prepaid lease payments are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of land use right over the lease terms.

(h) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(h) Financial instruments - Continued

(i) Financial assets - Continued

Financial assets at fair value through profit or loss - Continued

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or loss on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

For loan and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(h) Financial instruments - Continued

(ii) Impairment loss on financial assets - Continued

For loan and receivables - Continued

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(h) Financial instruments - Continued

(iii) Financial liabilities - Continued

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Properties for sales

Properties for sales are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Property under development for sale

The cost of properties under development for sales 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. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed property held for sales

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sales comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(l) Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(l) Income taxes - Continued

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is settled or realised that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(m) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(m) Foreign currency - Continued

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

(n) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Pension obligations

For employees in the People's Republic of China (the "PRC"), the Group contributes to a state-sponsored retirement plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due and are reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(o) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment properties under cost model;
- prepaid lease payment,

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that he increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(q) 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 key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

(r) Derivative financial instrument

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

(a) Critical judgements in applying accounting policies

(i) Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

(i) Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(ii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued

(b) Key sources of estimation uncertainty - Continued

(iii) Impairment of account and other receivables

Recoverability of the account and other receivables are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgement is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

6. FINANCE COSTS

	From 6 February 2013 (date of incorporation) to 30 June 2013 <hr/> <i>HK\$'000</i> <i>(unaudited)</i>
Interest on loans from financial institutions Wholly repayable within a year	<hr/> <hr/> 295

7. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	From 6 February 2013 (date of incorporation) to 30 June 2013 <hr/> <i>HK\$'000</i> <i>(unaudited)</i>
Staff costs: Salaries, wage and other benefits	<hr/> <hr/> 742

8. INCOME TAX EXPENSE

No provision for profit tax has been made as the Group did not have assessable profit.

9. PROPERTY, PLANT AND EQUIPMENT

	Building held for own use HK\$'000 (unaudited)	Furniture, fixture, and equipment HK\$'000 (unaudited)	Motor vehicles HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Cost:				
Acquired upon business combination (note 22)	<u>14,857</u>	<u>1,410</u>	<u>2,273</u>	<u>18,540</u>
At 30 June 2013	<u>14,857</u>	<u>1,410</u>	<u>2,273</u>	<u>18,540</u>
Accumulated depreciation:				
Acquired upon business combination (note 22)	<u>327</u>	<u>673</u>	<u>1,392</u>	<u>2,392</u>
At 30 June 2013	<u>327</u>	<u>673</u>	<u>1,392</u>	<u>2,392</u>
Net Book Value At 30 June 2013	<u>14,530</u>	<u>737</u>	<u>881</u>	<u>16,148</u>

10. INVESTMENT PROPERTIES

	As at 30 June 2013 HK\$'000 (unaudited)
Acquired upon business combination (note 22)	<u>2,493,712</u>
At 30 June 2013	<u><u>2,493,712</u></u>
Representing: Valuation - 2013	<u><u>2,493,712</u></u>

(i) The Group's investment properties was revalued on an open market value at the reporting date by an independent firm of surveyors, CBRE HK Limited, which have recent experience in the respective location and category of property being valued.

(ii) The Group's investment properties are held under medium term leases in the PRC.

All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

(iii) The Group leases out its investment properties under operating leases. The leases for most of the properties typically run for an initial period of one to twenty years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum rental receivables under non-cancellable operating leases are as follows:

	As at 30 June 2013 HK\$'000 (unaudited)
Within 1 year	55,509
After 1 year but within 5 years	316,804
After 5 years	<u>1,240,973</u>
	<u><u>1,613,286</u></u>

11. PREPAID LEASE PAYMENTS

	Interests in leasehold land held for own use under operating leases HK\$'000 (unaudited)
Cost	
Acquired upon business combination (note 22)	<u>21,998</u>
At 30 June 2013	<u>21,998</u>
Accumulated Amortisation	
Acquired upon business combination (note 22)	<u>351</u>
At 30 June 2013	<u>351</u>
Net book value	
At 30 June 2013	<u><u>21,647</u></u>

The net book value of the properties of the Group is held under medium term leases in the PRC.

12. GOODWILL

	HK\$'000 (unaudited)
Cost	
Additions	<u>1,114,187</u>
At 30 June 2013	<u><u>1,114,187</u></u>

Goodwill arose from the acquisition of 65% equity interest of Wanda Commercial Properties (Group) Limited ("Wanda Commercial") (formerly known as Hengli Commercial Properties (Group) Limited). The balance represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Wanda Commercial as at the acquisition date.

The recoverable amounts of the CGU have been determined based on the fair value less cost to sell of the CGU to which the goodwill relates. As the goodwill is mainly attributable to the business combination of Wanda Commercial (note 22) which occurred close to period ended 30 June 2013, the director is of the opinion that the recoverable amount of the goodwill can make reference to the arms-length purchase price paid on the business combination and therefore no impairment loss is recognised.

13. INVENTORIES

	As at 30 June 2013 HK\$'000 (unaudited)
Completed properties for sales	<u>696,000</u>

Analysis of carrying amount of leasehold land included in properties for sales by lease terms is as follows:

	As at 30 June 2013 HK\$'000 (unaudited)
Held under:	
- long term leases in the PRC	264,367
- Medium term leases in the PRC	<u>54,300</u>
	<u>318,667</u>

14. TRADE AND OTHER RECEIVABLES AND DEPOSIT

	As at 30 June 2013 HK\$'000 (unaudited)
<u>Non-current asset</u>	
Deposit *	<u>108,573</u>
<u>Current assets</u>	
Trade receivables - within 1 month	5,285
Other receivables and prepayments	57,836
Amount due from a related party #	<u>8</u>
	<u>63,129</u>

As at 30 June 2013, the trade receivable was neither past due nor impaired. No impairment allowance is necessary in respect of the Group's trade receivables as the management considers the balance is fully recoverable. The Group does not hold any collateral over the balance.

* The amount represented a deposit for acquisition of a property situated on London, United Kingdom. The total consideration for such acquisition was HK\$1,085,730,000 and the remaining balance was disclosed as capital commitment in note 24.

The amount due from a related party was unsecured, interest free and repayable on demand.

15. PLEDGED AND RESTRICTED BANK DEPOSITS

Bank deposits have been pledged as security for loans from financial institutions (see note 17). The pledged bank deposits will be released upon the settlement of relevant bank loans.

16. TRADE AND OTHER PAYABLES

	<u>As at</u> <u>30 June</u> 2013 <i>HK\$'000</i> <i>(unaudited)</i>
Trade payables	90,687
Other creditors and accrued charges	281,023
Interest payables to related parties	100,191
Loan from a related party (note 23(a))	253,182
Amounts due to non-controlling equity holders	16,930
Amounts due to related parties	<u>174,112</u>
	<u>916,125</u>

The aging analysis of trade payables based on the invoice date as of the end of reporting period is as follows:

	<u>As at</u> <u>30 June</u> 2013 <i>HK\$'000</i> <i>(unaudited)</i>
Within 1 month	297
1 month to 3 months	42
3 months to 6 months	2,169
6 months to 12 months	2,635
Over 12 months	<u>85,544</u>
	<u>90,687</u>

The amounts due to non-controlling equity holders and related parties were unsecured, interest free and repayable on demand.

17. BORROWINGS

At 30 June 2013, loans from financial institutions were repayable within 1 year.

The loans were secured by a pledge over the restricted bank deposits of HK\$63,175,000 and a standby credit documentary of HK\$724,500,000 issued by HSBC (China) Company Limited, Beijing Branch.

18. CONVERTIBLE BONDS

As at 30 June 2013, the convertible bonds of Wanda Commercial, a newly acquired subsidiary in June 2013, with principal amount of HK\$112,000,000 and present value of HK\$77,185,000, was held by Mr. Chen Chang Wei. The convertible bonds were secured by the shares of Amazing Wise Limited, a subsidiary of the Group.

The rights of the convertible bond holders to convert the convertible bonds into ordinary shares are as follows:

- (i) Conversion rights are exercisable at any time up to maturity at the option of the convertible bond holder.
- (ii) Pursuant to the terms of the convertible bonds, the conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bonds have been adjusted as a result of a rights issue in January 2011. Wanda Commercial is required to deliver ordinary shares at a rate of \$0.334 per share (originally \$0.5 per share before the rights issue).

Wanda Commercial has the right at any time to redeem the whole or any part of the outstanding principal amount of the convertible bonds at their face value. The option to enable the Wanda Commercial to redeem the convertible bonds is considered as derivative financial assets of the Group and revalued at each reporting date. As at 30 June 2013, its fair value of the redeem right was approximately HK\$69,599,000.

If the convertible bond holders' conversion rights have not been exercised or the convertible bonds have not been repurchased or redeemed up to the maturity date, i.e. on 20 January 2018, the Wanda Commercial will redeem the convertible bonds at face value on 20 January 2018.

19. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the period:

	Revaluation of properties for sales and buildings held for own use HK\$'000 (unaudited)	Revaluation of investment properties use HK\$'000 (unaudited)	Land appreciation tax HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Acquired upon business combination (note 22)	<u>(205,163)</u>	<u>(377,003)</u>	<u>72,433</u>	<u>(509,733)</u>
At 30 June 2013	<u>(205,163)</u>	<u>(377,003)</u>	<u>72,433</u>	<u>(509,733)</u>

19. DEFERRED TAX -Continued

For the purpose of presentation of the consolidated statement of financial position, certain deferred tax assets (liabilities) have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	As at 30 June 2013 HK\$'000 (unaudited)
Deferred tax assets	72,433
Deferred tax liabilities	<u>(582,166)</u>
	<u>(509,733)</u>

In accordance with the accounting policy set out in note 4(l), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$1,378,000 as it is not probable that future profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arose in mainland China can be carried forward for five years and the tax losses of the Group arose elsewhere other than in mainland China do not expire under current tax legislation.

20. SHARE CAPITAL

	As at 30 June 2013	
	No. of shares ' 000 (unaudited)	Amount HK\$'000 (unaudited)
Authorised:		
Ordinary shares of HK\$1 each	<u>10</u>	<u>10</u>
	As at 30 June 2013	
	No. of shares (unaudited)	Amount HK\$ (unaudited)
Issued and fully paid:		
Ordinary share of HK\$1 each		
Issue of share (note)	<u>1</u>	<u>1</u>
At 30 June 2013	<u>1</u>	<u>1</u>

Note:

The Company was incorporated on 6 February 2013 with authorised capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. At the date of incorporation, 1 ordinary share of HK\$1 each was issued to sole subscriber.

21. CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at reporting date is as follows:

	As at 30 June 2013 HK\$'000 (unaudited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>735,000</u>

The directors do not consider it is probable that the Group will sustain a loss under these guarantees as the individual property ownership certificates have not been obtained and thus the Group can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the purchasers default payments to the banks.

22. BUSINESS ACQUISITION DURING THE PERIOD

On 25 June 2013, the Company has acquired 65% equity interest in Wanda Commercial, a company listed in Hong Kong Stock Exchanges for a cash consideration of HK\$465,528,000. The principal activity of Wanda Commercial is property development and investment. The directors of the Group considered the acquisition should expand the Group's existing scale of operation and enlarge the Group's market presence. Goodwill arose in the business combination because of the expected synergies and future market development.

The fair value of identifiable assets and liabilities acquired and the goodwill arising as at the date of acquisition were, provisionally determined, as follows:

	HK\$' 000
Property, plant and equipment (note 9)	16,148
Prepaid lease payments (note 11)	21,647
Investment properties (note 10)	2,493,712
Deferred tax assets (note 19)	72,433
Inventories - Properties held for sales (note 13)	696,000
Trade and other receivables	60,666
Derivative financial asset (note 18)	69,599
Pledged and restricted bank deposits (note 15)	63,175
Bank balances and cash	40,048
Trade and other payables	(537,009)
Pre-sales proceeds received on sales of properties	(133,135)
Borrowings	(315,238)
Tax payables	(506,901)
Convertible bonds (note 18)	(221,216)
Deferred tax liabilities (note 19)	(582,166)
Less: Non-controlling interest*	<u>(1,886,422)</u>
	(648,659)
Goodwill	<u>1,114,187</u>
Consideration	<u><u>465,528</u></u>
Net cash outflow arising on acquisition	
Consideration paid in cash	465,528
Less: bank balance and cash	<u>(40,048)</u>
	<u><u>425,480</u></u>

* The measurement basis for that amount is at the non-controlling interest's proportionate share of the fair value of identifiable assets and liabilities of Wanda Commercial and the fair value of the non controlling interest in the equity component of the convertible bonds.

Since the acquisition date, Wanda Commercial did not contribute any revenue nor profit or loss to the Group. If the acquisition had occurred on 6 February 2013, the Group's revenue and profit would have been HK\$918,138,000 and HK\$165,002,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future performance.

23. MATERIAL RELATED PARTY TRANSACTIONS

(a) Loan from a related party

Mr. Chen is a director and shareholder of the Group and is considered a related party of the Group. The loan from a related party is made from an entity controlled by Mr. Chen. The loan from an entity controlled by Mr. Chen, amounted to \$253,182,000 that bears interest at 15% per annum, is unsecured and repayable six months after the date of the respective drawdown. Interest payables to related parties as at 30 June 2013 are set out in note 16.

(b) Other related party transactions

Other amounts due from/(to) related parties are set out in note 14 and 16. Please refer to note 18 for convertible bonds of the Company held by Mr. Chen.

24. CAPITAL COMMITMENT

Capital commitment outstanding at 30 June 2013 not provided for in the financial statements was as follows:

	<u>As at</u> <u>30 June</u> <u>2013</u> <i>HK\$'000</i> <i>(unaudited)</i>
Contracted for	<u>977,157</u>
.	

25. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities as defined in Note 4(h):

	As at 30 June 2013	
	Carrying amount <i>HK\$'000</i> <i>(unaudited)</i>	Fair value <i>HK\$'000</i> <i>(unaudited)</i>
Financial assets		
Loans and receivables (including cash and bank)	191,125	191,125
Derivative financial asset	<u>69,599</u>	<u>69,599</u>
	As at 30 June 2013	
	Carrying amount <i>HK\$'000</i> <i>(unaudited)</i>	Fair value <i>HK\$'000</i> <i>(unaudited)</i>
Financial liabilities		
Financial liabilities measured at amortised cost	1,666,216	1,666,216
Convertible bonds	<u>77,185</u>	<u>77,185</u>

- (a) The fair values of financial assets and financial liabilities are determined as follows:
- (i) Fair value hierarchy

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for option derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

25. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY - Continued

(a) The fair values of financial assets and financial liabilities are determined as follows: - Continued

(i) Fair value hierarchy - Continued

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>As at 30 June 2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Recurring Fair Value Measurements :				
Financial assets at fair value through profit or loss				
- Derivative financial assets: convertible bond redemption options	-	69,599	-	69,599
	<u>-</u>	<u>69,599</u>	<u>-</u>	<u>69,599</u>

During the period from 6 February 2013 (date of incorporation) to 30 June 2013, there was no transfers among Level 1, Level 2 and Level 3.

Except for the derivative financial assets, the carrying amounts of financial assets including trade and other receivables, pledged and restricted bank deposits and bank balance and cash; and financial liabilities including trade and other payables and borrowings, approximate their respective fair value due to their short maturity at each of the reporting dates.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the convertible bond redemption option is determined using binomial tree model.

26. FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk management

Expose to credit risk, interest rate risk and liquidity risk in the normal course of the Group's business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management of the Group then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuation, if any, in interest rates. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(a) Credit risk

Credit risk refers to the risk that counter parties will default on contractual obligations resulting in financial loss to the Group. In order to minimise the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade and other receivables at the end of the reporting period.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk, in which exposure is spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchases of the Group's property units and provided guarantees to secure obligations of such purchasers for repayment. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the repossessed properties. Therefore, the management considers the Group would likely recover any loss incurred arising from the guarantees. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

26. FINANCIAL RISK AND CAPITAL MANAGEMENT - Continued

Financial risk management - Continued

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank and other borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China prescribed interest rate arising from the Group's RMB borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates risk at the end of the reporting period. For floating-rate bank and other borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit for the period from 2 February 2013 (date of incorporation) to 30 June 2013 would decrease/increase by HK\$3,134,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings.

26. FINANCIAL RISK AND CAPITAL MANAGEMENT - Continued

Financial risk management - Continued

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For the period ended 30 June 2013 (unaudited)	Weighted average effective interest rate %	Within 1 year or on demand HK\$'000 (unaudited)	More than 1 year but less than 2 years HK\$'000 (unaudited)	More than 2 years but less than 5 years HK\$'000 (unaudited)	More than 5 years HK\$'000 (unaudited)	Total undiscounted cash flows HK\$'000 (unaudited)	Carrying amount at 30 June 2013 HK\$'000 (unaudited)
Non-derivative financial liabilities							
Trade and other payables	-	660,978	-	-	-	660,978	660,978
Loans from related parties	15.00	291,159	-	-	-	291,159	253,182
Borrowings	6.20	798,863	-	-	-	798,863	752,056
Convertible bonds	8.00	6,344	6,851	99,415	-	112,610	77,185
Financial guarantee contracts	-	735,000	-	-	-	735,000	-
		<u>2,492,344</u>	<u>6,851</u>	<u>99,415</u>	<u>-</u>	<u>2,598,610</u>	<u>1,743,401</u>

26. FINANCIAL RISK AND CAPITAL MANAGEMENT - Continued

Financial risk management - Continued

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as loans from financial institutions, loans from related parties and convertible bonds less restricted bank deposits and bank balances and cash. Total equity represents equity attributable to owners of the parent and non-controlling interests. The Group aims to maintain the net debt-to-adjusted equity ratio at a reasonable level. The net debt-to-equity ratio at each of the end of the reporting period was as follows:

	<u>As at</u> <u>30 June</u> <u>2013</u> <i>HK\$'000</i> <i>(unaudited)</i>
Borrowings - Loans from financial institutions	752,056
Other payables - Loans from a related party	253,182
- Interest payables to related parties	100,191
Convertible bonds	77,185
Less:	
Bank balances and cash	(66,280)
Pledged and restricted bank deposits	<u>(63,175)</u>
Net debts	1,053,159
Total Equity	1,817,315
Debt to equity ratio	<u>58%</u>

The Group is not subject to externally imposed capital requirements.

27. FAIR VALUE MEASUREMENT

	Fair value measurement using			Fair value <i>HK\$'000</i> <i>(unaudited)</i>
	Quoted prices in active market for identical assets (Level 1) <i>HK\$'000</i> <i>(unaudited)</i>	Significant other observable inputs (Level 2) <i>HK\$'000</i> <i>(unaudited)</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i> <i>(unaudited)</i>	
Non-financial assets - Investment properties				
At 30 June 2013	-	2,493,712	-	-

During the period from 6 February 2013 (date of incorporation) to 30 June 2013, there was no transfers among Level 1, Level 2 and Level 3.

Level 2 fair values of investment properties have been generally derived using the market value on an existing use basis which involves certain estimates, including comparable market transactions, where appropriate capitalisation rate and reversionary income potential.

28. EVENT AFTER THE REPORTING DATE

Pursuant to the Shareholders' Agreement dated 6th September, 2013, the Company and Wanda Commercial, a subsidiary of the Company, have agreed to establish a Joint Venture (subject to a 40% and 60% ownership respectively) for the purposes of acquiring and owning a property situated on London, United Kingdom, redeveloping it into a hotel, residential, office and retail complex and operating such complex. The costs of the redevelopment is subject to a cap of HK\$3,000,000,000 of total capital commitment.

29. PARTICULAR OF SIGNIFICANT SUBSIDIARIES

Particular of the Company's significant subsidiaries at each of the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share/ registered capital	Attributable equity interest of the Group	Principal activities
Wanda Commercial	Hong Kong	HKD1,000,000	65%	Property development
Amazing Wise Limited	BVI	USD10	65%	Investment holding
Dalong Industrial Group Limited	Hong Kong	HKD100,000	65%	Investment holding
Fujian Zhonglu Real Estate Development (HK) Limited	Hong Kong	HKD1,000	65%	Treasury
Fujian Zhonglu Real Estate Development Co., Ltd.	PRC	RMB129,820,000	62%	Property development
Fujian Hengli Real Estate Development Co., Ltd.	PRC	RMB180,000,000	65%	Property development
Fujian Hengli Commercial Properties Co., Ltd.	PRC	RMB321,600,000	65%	Property development
Fujian Hengli Bona Plaza Development Co., Ltd.^	PRC	RMB105,000,000	46%	^Property development
Fujian Hengli & Savills Property Management Co., Ltd.^	PRC	RMB500,000	36%	^Property development
Fujian Hengli Assets Management Co., Ltd.	PRC	-	65%	Property development
Wanda Real Estate Investments Limited	BVI	HKD10,000	100%	Investment holding
Wanda Commercial Properties Overseas Limited	BVI	HKD 10,000	100%	Investment holding
Wanda Commercial Group Americas, LLC	USA	-	100%	Treasury

^ The Group holds 65% interest in Wanda Commercial which indirectly held 70% interest in Fujian Hengli Bona Plaza Development Co. Limited and 55% interest in Fuzhou Hengli & Savills Property Management Co. Limited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013 — unaudited

(Expressed in Hong Kong Dollars)

	Note	Six months ended 30 June	
		2013 \$'000	2012 \$'000
Turnover	3	1,146,089	1,794,751
Cost of sales		(672,265)	(1,680,201)
Gross profit		473,824	114,550
Gain on redemption of convertible bonds	17	39,370	—
Gain/(loss) on revaluation and cancellation of convertible bonds redemption options	5	32,535	(16,477)
Net loss on disposal of subsidiaries	9	(45,872)	—
Impairment loss on goodwill	12	(38,685)	—
Net valuation gain on investment properties	11(b)	3,783	538,338
Other revenue	6	7,977	3,672
Other net (loss)/income	6	(1,782)	2,716
Selling, administrative and other operating expenses		(39,716)	(46,592)
Profit from operations		431,434	596,207
Finance costs	7(a)	(60,092)	(55,830)
Profit before taxation	7	371,342	540,337
Income tax	8	(160,368)	(192,811)
Profit for the period		210,974	347,566
Attributable to:			
Equity shareholders of the Company		203,742	326,348
Non-controlling interests		7,232	21,218
Profit for the period		210,974	347,566
Earnings per share (HK cents)	10		
Basic		8.5	13.9
Diluted		2.3	4.8

The notes on pages 22 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013 — unaudited

(Expressed in Hong Kong Dollars)

	Note	Six months ended 30 June	
		2013 \$'000	2012 \$'000
Profit for the period		210,974	347,566
<hr/>			
Other comprehensive income for the period (after tax and reclassification adjustment):			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of property, plant and equipment		725	132
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries in the mainland of The People's Republic of China (the "PRC")		32,706	(17,147)
Exchange reserve realised on disposal of subsidiaries		(26,927)	—
Other comprehensive income for the period		6,504	(17,015)
<hr/>			
Total comprehensive income for the period		217,478	330,551
<hr/>			
Attributable to:			
Equity shareholders of the Company		206,898	310,091
Non-controlling interests		10,580	20,460
Total comprehensive income for the period		217,478	330,551

The notes on pages 22 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 — unaudited

(Expressed in Hong Kong Dollars)

	Note	30 June 2013 \$'000	31 December 2012 \$'000
Non-current assets			
Fixed assets	11		
— Property, plant and equipment		16,148	18,512
— Prepaid lease payments		21,647	46,469
— Investment properties		2,493,712	2,361,583
		2,531,507	2,426,564
Goodwill	12	47,854	106,939
Deferred tax assets		72,433	85,510
		2,651,794	2,619,013
Current assets			
Properties for sales	13	622,868	2,107,945
Deposits for land use right		—	702,694
Trade and other receivables	14	60,667	132,887
Derivative financial instruments	19	69,599	63,430
Prepaid taxes		—	28,068
Restricted bank deposits		63,175	42,904
Cash at bank and in hand		40,048	476,641
		856,357	3,554,569
Current liabilities			
Trade and other payables	15	537,009	949,417
Receipts in advance		133,135	1,532,527
Loans from financial institutions	16	62,056	41,099
Loans from related parties	22(b)	253,182	280,284
Advance from lessee		—	124,360
Current taxation		506,901	550,835
		1,492,283	3,478,522
Net current (liabilities)/assets		(635,926)	76,047
Total assets less current liabilities		2,015,868	2,695,060

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2013 — unaudited

(Expressed in Hong Kong Dollars)

	Note	30 June 2013 \$'000	31 December 2012 \$'000
Non-current liabilities			
Loans from financial institutions	16	—	10,008
Convertible bonds	17	225,968	1,220,962
Deferred tax liabilities		563,883	668,912
		789,851	1,899,882
NET ASSETS			
		1,226,017	795,178
CAPITAL AND RESERVES			
Share capital	18	285,591	235,292
Retained profits		296,893	84,144
Other reserves		(35,842)	348,008
Total equity attributable to equity shareholders of the Company			
		546,642	667,444
Non-controlling interests		679,375	127,734
TOTAL EQUITY			
		1,226,017	795,178

The notes on pages 22 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 — unaudited

(Expressed in Hong Kong Dollars)

	Attributable to equity shareholders of the Company												Total equity \$'000
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Special reserve \$'000	Exchange reserve \$'000	Property revaluation reserve \$'000	Statutory reserve fund \$'000	Convertible bond reserve \$'000	(Accumulated losses)/		Non-controlling interests \$'000	
										Retained profits \$'000	Total \$'000		
Balance at 1 January 2012		232,897	203,702	60,264	44,134	243,492	—	—	(116,608)	(297,644)	370,237	93,851	464,088
Changes in equity for the six months ended 30 June 2012:													
Profit for the period		—	—	—	—	—	—	—	—	326,348	326,348	21,218	347,566
Other comprehensive income		—	—	—	—	(16,389)	132	—	—	—	(16,257)	(758)	(17,015)
Total comprehensive income		—	—	—	—	(16,389)	132	—	—	326,348	310,091	20,460	330,551
Convertible bonds converted	17&18	2,395	3,339	—	—	—	—	—	(466)	—	5,268	—	5,268
Reduction of share premium	18(b)	—	(207,041)	—	—	—	—	—	—	207,041	—	—	—
Balance at 30 June 2012 and 1 July 2012		235,292	—	60,264	44,134	227,103	132	—	(117,074)	235,745	685,596	114,311	799,907
Changes in equity for the six months ended 31 December 2012:													
Loss for the period		—	—	—	—	—	—	—	—	(94,013)	(94,013)	(10,190)	(104,203)
Other comprehensive income		—	—	—	—	122,094	3,906	—	—	—	126,000	2,674	128,674
Total comprehensive income		—	—	—	—	122,094	3,906	—	—	(94,013)	31,987	(7,516)	24,471
Capital injection from non-controlling interests		—	—	—	—	—	—	—	—	—	—	37,501	37,501
Dividend attributable to non-controlling interests		—	—	—	—	—	—	—	—	—	—	(16,562)	(16,562)
Convertible bonds redeemed		—	—	—	—	—	—	—	(50,139)	—	(50,139)	—	(50,139)
Appropriation to statutory reserve fund		—	—	—	—	—	—	57,588	—	(57,588)	—	—	—
Balance at 31 December 2012		235,292	—	60,264	44,134	349,197	4,038	57,588	(167,213)	84,144	667,444	127,734	795,178
Balance at 1 January 2013		235,292	—	60,264	44,134	349,197	4,038	57,588	(167,213)	84,144	667,444	127,734	795,178
Changes in equity for the six months ended 30 June 2013:													
Profit for the period		—	—	—	—	—	—	—	—	203,742	203,742	7,232	210,974
Other comprehensive income		—	—	—	—	2,431	725	—	—	—	3,156	3,348	6,504
Total comprehensive income		—	—	—	—	2,431	725	—	—	203,742	206,898	10,580	217,478
Convertible bonds converted		50,299	51,037	—	—	—	—	—	(9,787)	—	91,549	—	91,549
Convertible bonds redeemed		—	—	—	—	—	—	—	(428,659)	—	(428,659)	—	(428,659)
Partial disposal of a subsidiary		—	—	—	9,410	—	—	—	—	—	9,410	578,401	587,811
Disposal of subsidiaries		—	—	—	—	—	(456)	(8,551)	—	9,007	—	(37,340)	(37,340)
Balance at 30 June 2013		285,591	51,037	60,264	53,544	351,628	4,307	49,037	(605,659)	296,893	546,642	679,375	1,226,017

The notes on pages 22 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013 — unaudited

(Expressed in Hong Kong Dollars)

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Cash (used in)/generated from operations	(39,075)	971,996
PRC tax paid	(186,853)	(24,810)
Net cash (used in)/generated from operating activities	(225,928)	947,186
Net cash used in investing activities	(394,116)	(65,112)
Net cash generated from/(used in) financing activities	176,226	(436,028)
Net (decrease)/increase in cash and cash equivalents	(443,818)	446,046
Cash and cash equivalents at 1 January	476,641	58,017
Effect of foreign exchange rate changes	7,225	(10,026)
Cash and cash equivalents at 30 June	40,048	494,037

The notes on pages 22 to 40 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong Dollars unless otherwise indicated)

1 BASIS OF PREPARATION

(a) Basis of presentation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was approved by the Board of Directors and authorised for issue on 23 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Wanda Commercial Properties (Group) Co., Limited (the “Company”) and its subsidiaries (“the Group”) since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

1 BASIS OF PREPARATION (continued)

(a) Basis of presentation (continued)

Notwithstanding the net current liabilities of \$635,926,000 at the end of the reporting period which was mainly caused by the net current liabilities of the subsidiaries involved in the Hengli City project, the interim financial report has been prepared on a going concern basis as Mr. Chen Chang Wei ("Mr. Chen"), a director of the Company, has agreed to provide funding by way of loan in an amount up to the shortfall required to satisfy any funding needs or liabilities of the Hengli City project if the Group does not have sufficient financial resources and is unable to secure adequate third party financing to satisfy any immediate funding needs or liabilities relating to the Hengli City project. Hence it is appropriate to prepare the interim financial report on a going concern basis.

The interim financial report is unaudited, but has been reviewed by the Group's audit committee. It has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 41 to 42.

The financial information relating to the year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 6 February 2013.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income
- HKFRS 10, Consolidated financial statements
- HKFRS 12, Disclosure of interests in other entities
- HKFRS 13, Fair value measurement
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 **CHANGES IN ACCOUNTING POLICIES** (continued)

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 19. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the group's assets and liabilities.

2 CHANGES IN ACCOUNTING POLICIES (continued)

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the Group because the CODM assesses the Group's performance based on the results of the Group as a whole and the Group only has one operating segment.

Amendments to HKFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

3 TURNOVER

The principal activities of the Group are property development and investment. Turnover during the period is analysed as follows.

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Sales of properties	1,090,925	1,794,751
Rental income	45,139	—
Property management income	10,025	—
	1,146,089	1,794,751

Included in turnover from sales of properties during the six months ended 30 June 2013 is an amount of \$875,508,000 generated from subsidiaries disposed as set out in note 9 (six months ended 30 June 2012: Nil).

4 SEGMENT REPORTING

(a) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on the Group as a whole, as all the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any special service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(b) Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Fujian Province in the PRC.

(c) Information about major customers

The Group had one customer with whom transactions have exceeded 10% of the Group's turnover for the six months ended 30 June 2013 (2012: Nil). During the six months ended 30 June 2013, revenue from this customer amounted to \$850 million (2012: Nil).

5 GAIN/(LOSS) ON REVALUATION AND CANCELLATION OF CONVERTIBLE BONDS REDEMPTION OPTIONS

The amount included gain on revaluation of redemption options in respect of the convertible bonds, offset by loss arising from the cancellation of the respective redemption options as a result of redemption of the convertible bonds during the period as set out in note 17.

6 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Other revenue		
Interest income from banks	7,977	3,672
Other net (loss)/income		
Exchange (loss)/gain	(8,246)	2,898
Forfeiture of deposits from purchasers	5,918	—
Others	546	(182)
	(1,782)	2,716

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
(a) Finance costs:		
Interest on loans from financial institutions	3,694	39,955
Interest on convertible bonds (note 17)	44,631	46,992
Interest on loans from related parties repayable within one year	19,814	32,097
Deemed interests on advance from lessee	1,687	—
	69,826	119,044
Less: Interest expenses capitalised into investment properties under development and properties under development	(9,734)	(63,214)
	60,092	55,830

7 PROFIT BEFORE TAXATION (continued)

Six months ended 30 June		
	2013	2012
	\$'000	\$'000
(b) Other items:		
Amortisation and depreciation	831	460
Operating lease charges: minimum lease payments on properties	92	330
Cost of properties sold	665,332	1,680,201

8 INCOME TAX

Six months ended 30 June		
	2013	2012
	\$'000	\$'000
Current tax		
PRC Corporate Income Tax (iii)	143,757	226,115
PRC Land Appreciation Tax (iv)	127,106	339,798
Withholding tax (v)	—	14,577
	270,863	580,490
Deferred tax		
Origination and reversal of temporary differences:		
— Revaluation of properties for sales	(106,129)	(403,684)
— Revaluation of investment properties	946	118,434
— Deductibility of PRC Land Appreciation Tax	(5,312)	(124,342)
— Tax losses	—	21,913
	(110,495)	(387,679)
Total income tax	160,368	192,811

- (i) Pursuant to the rules and regulations of the Bermuda and British Virgin Islands ("BVI"), the Group is not subject to any income tax in Bermuda and BVI.
- (ii) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits in Hong Kong.

8 INCOME TAX (continued)

(iii) PRC Corporate Income Tax ("CIT")

The provision for CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (six months ended 30 June 2012: 25%). No provision for CIT has been made for the six months ended 30 June 2012 as the Group's subsidiaries in the PRC did not have assessable profits during that period.

(iv) PRC Land Appreciation Tax ("LAT")

All income from sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including costs of land use rights, borrowing costs and relevant development expenditure.

(v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5%.

9 DISPOSAL OF SUBSIDIARIES

On 20 March 2013, the Company entered into an agreement with Mr. Chen, Onu Holdings Limited ("Onu") and Zhizun Holdings Limited ("Zhizun"), companies wholly owned by Mr. Chen, for:

- (1) the Company's sale to Zhizun of 47% of the issued share capital of Amazing Wise Limited ("Amazing Wise"), a subsidiary of the Company, at a consideration of approximately \$587,811,000;
- (2) the Company's sale to Onu of all the issued share capital of each of Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited at a total consideration of approximately \$324,567,000; and
- (3) the Company's sale to Onu of loans owed by Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited and their respective subsidiaries (the "Disposal Group") to the Company at a total consideration of approximately \$399,164,000.

9 DISPOSAL OF SUBSIDIARIES (continued)

The aggregate consideration of the above, amounted to \$1,311,542,000, was satisfied by:

- (i) the setting-off of the amount owed by the Company to Mr. Chen as a result of the redemption by the Company of outstanding Convertible Bonds in a principal amount of \$1,311,000,000 held by Mr. Chen; and
- (ii) the payment of \$542,000 by Mr. Chen in cash.

The above transactions were completed on 25 June 2013. Subsequent to the above transactions, Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited ceased to be subsidiaries of the Company while Amazing Wise remained as a subsidiary of the Company.

A loss of \$45,872,000 on the disposal of the Disposal Group, was charged to the profit or loss. The loss on the disposal of the Disposal Group is analysed as below:

	\$'000
Total consideration	324,567
Net assets of the Disposal Group attributable to the Group	(374,908)
De-recognition of goodwill attributable to the Disposal Group (note 12)	(22,458)
Reclassification of exchange reserve of the Disposal Group within equity to profit or loss	26,927
<hr/>	
Loss on disposal	(45,872)
<hr/>	

No gain or loss was recognised in relation to the disposal of 47% equity interest in Amazing Wise as the Company continues to retain control over Amazing Wise. The difference between the consideration of \$587,811,000 and the non-controlling interest of \$578,401,000 is credited to special reserve within the equity of the Group.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on profit attributable to equity shareholders of the Company of \$203,742,000 (six months ended 30 June 2012: \$326,348,000) and the weighted average of 2,391,822,000 shares (six months ended 30 June 2012: 2,350,799,000 shares) in issue during the interim period.

(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 \$176,468,000 (six months ended 30 June 2012: \$389,817,000) and the weighted average number of 7,612,023,000 shares (six months ended 30 June 2012: 8,065,624,000 shares), after adjusting for the effect of conversion and redemption of convertible bonds.

11 FIXED ASSETS

(a) Additions and disposals

During the six months ended 30 June 2013, the Group's additions in property, plant and equipment and investment properties amounted to \$414,000 and \$90,556,000 respectively (six months ended 30 June 2012: \$290,000 and \$107,981,000 respectively). All additions in investment properties during the six months ended 30 June 2013 was transferred from properties for sales (six months ended 30 June 2012: Nil).

(b) Valuation

Investment properties and land and building held for own use carried at fair value were revalued on an open market value at the reporting date by an independent firm of surveyors, CBRE HK Limited, which have recent experience in the respective location and category of property being valued. As a result of the revaluation, a net gain of \$3,783,000 (six months ended 30 June 2012: \$538,338,000) in respect of investment properties has been recognised in profit or loss for the period.

In addition, a net of tax surplus of \$725,000 (six months ended 30 June 2012: \$132,000) has been recognised in other comprehensive income for the period in respect of land and buildings held for own use.

12 GOODWILL

	30 June 2013 \$'000	31 December 2012 \$'000
Cost	394,782	394,782
Accumulated impairment losses	(337,685)	(299,000)
De-recognised on disposal of subsidiaries (note 9)	(22,458)	—
Exchange adjustment	13,215	11,157
Carrying amount	47,854	106,939

Goodwill arose from the acquisition of the entire issued share capital of Amazing Wise Limited (“Amazing Wise”) in 2008. The balance represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Amazing Wise as at the acquisition date.

The Group carried out impairment testing of the goodwill at the end of each reporting period. In assessing the impairment of goodwill, the recoverable amount of the cash generating units (“CGU”) is determined. The CGU related to the goodwill includes all subsidiaries under the Fujian segment. In previous years, an impairment loss of \$299,000,000 was recorded. During the six months ended 30 June 2013, as a result of disposal of the Disposal Group as set out in note 9, the recoverable amount of CGU, which was estimated based on its fair value less cost to sale, was re-determined and accordingly, an additional impairment loss of \$38,685,000 was provided.

In addition, during the six months ended 30 June 2013, goodwill of \$22,458,000 (six months ended 30 June 2012: Nil), representing the portion attributable to the Disposal Group as a result of the disposal of the Disposal Group, as set out in note 9, was de-recognised.

13 PROPERTIES FOR SALES

	30 June 2013 \$'000	31 December 2012 \$'000
Completed properties for sales	622,868	1,407,222
Properties under development	—	700,723
	622,868	2,107,945

14 TRADE AND OTHER RECEIVABLES

	30 June 2013 \$'000	31 December 2012 \$'000
Trade receivables — within 1 month	5,285	115
Other receivables, prepayments and deposits	55,374	132,772
Amounts due from related parties	8	—
	60,667	132,887

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash before delivery of property ownership certificates. The Group has set out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate impairment losses are made for irrecoverable amounts. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

15 TRADE AND OTHER PAYABLES

	30 June 2013 \$'000	31 December 2012 \$'000
Trade payables	90,687	135,898
Other creditors and accrued charges	281,023	659,747
Interest payable to related parties	100,191	79,002
Amounts due to non-controlling equity holders	16,930	16,770
Amounts due to related parties	48,178	—
Amounts due to a director	—	58,000
	537,009	949,417

15 TRADE AND OTHER PAYABLES (continued)

The aging analysis of trade payables based on the invoice date as of the end of reporting period is as follows:

	30 June 2013 \$'000	31 December 2012 \$'000
Within 1 month	297	11,428
1 month to 3 months	42	4,840
3 months to 6 months	2,169	4,791
6 months to 12 months	2,635	9,846
Over 12 months	85,544	104,993
	90,687	135,898

16 LOANS FROM FINANCIAL INSTITUTIONS — SECURED

At 30 June 2013, loans from financial institutions were repayable as follows:

	30 June 2013 \$'000	31 December 2012 \$'000
Within 1 year	62,056	41,099
After 1 year but within 2 years	—	2,159
After 2 years but within 5 years	—	6,851
After 5 years	—	998
	—	10,008
	62,056	51,107

16 LOANS FROM FINANCIAL INSTITUTIONS — SECURED (continued)

The assets of the Group pledged to secured loans from financial institutions comprise the following assets:

	30 June 2013 \$'000	31 December 2012 \$'000
Restricted bank deposits	63,175	42,904
Property, plant and equipment	—	2,430
Prepaid lease payments	—	24,875
	63,175	70,209

17 CONVERTIBLE BONDS

On 21 January 2008, the Company issued \$2,701,711,500 zero coupon convertible bonds at 100% of principal amount to Mr. Chen, as part of the consideration for the acquisition of Amazing Wise and its subsidiaries.

The rights of the convertible bond holders to convert the convertible bonds into ordinary shares are as follows:

- Conversion rights are exercisable at any time up to maturity at the option of the convertible bond holder.
- Pursuant to the terms of the convertible bonds, the conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bonds have been adjusted as a result of a rights issue in January 2011. The Company is required to deliver ordinary shares at a rate of \$0.334 per share (originally \$0.5 per share before the rights issue of the Company).

The Company has the right at any time to redeem the whole or any part of the outstanding principal amount of the convertible bonds at their face value. The option to enable the Company to redeem the convertible bonds is considered as derivative financial assets of the Company and revalued at each reporting date.

17 CONVERTIBLE BONDS (continued)

If the convertible bond holders' conversion rights have not been exercised or the convertible bonds have not been repurchased or redeemed up to the maturity date, i.e. on 20 January 2018, the Company will redeem the convertible bonds at face value on 20 January 2018.

During the six months ended 30 June 2013, convertible bonds with principal amount of \$168,000,000 were converted into 502,994,011 ordinary shares of the Company. In addition, as mentioned in note 9, convertible bonds with principal amount of \$1,311,000,000 was redeemed by the Company. Subsequent to the conversion and the redemption, the outstanding principal amount of the convertible bonds was reduced to \$321,000,000. Further, on 25 June 2013, convertible bonds with principal amount of \$209,000,000 were transferred by Mr. Chen to Wanda Commercial Properties Overseas Limited, shareholder of the Company. As a result, as at 30 June 2013, convertible bonds with principal amount of \$209,000,000 was held by Wanda Commercial Properties Overseas Limited while convertible bonds with principal amount of \$112,000,000 was held by Mr. Chen.

The convertible bonds recognised in the consolidated statement of financial position are analysed as follows:

	Liability component	Equity component
	\$'000	\$'000
Net carrying amount at 1 January 2013	1,220,962	104,862
Interest expense (i) (note 6(a))	44,631	—
Convertible bonds converted	(117,915)	(9,787)
Convertible bonds redeemed (ii)	(921,710)	(76,375)
Net carrying amount at 30 June 2013	225,968	18,700

(i) Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 8% per annum to the liability component.

(ii) As stated in note 9, convertible bonds with a principal amount of \$1,311,000,000 held by Mr. Chen were redeemed by the Company. As a result of the redemption, the liability component of the convertible bond was remeasured at its fair value at the date of the redemption and the difference between the remeasured amount and the carrying amount upon the redemption date was dealt with in profit or loss. As a result of the redemption, a gain of approximately \$39,370,000 was recognised in the profit or loss.

18 CAPITAL, RESERVES AND DIVIDEND

(a) Issue of shares upon conversion of convertible bonds/Share premium

As mentioned in note 17, convertible bonds with principal amount of \$168,000,000 were converted to ordinary shares of the Company on 17 June 2013. Accordingly, 502,994,011 shares of \$0.1 each were issued by the Company and share premium of \$51,037,000 was arose.

On 28 June 2012, the resolution in respect of proposed reduction of the share premium account of the Company to nil was passed in the special general meeting of the Company. Accordingly, the share premium of the Company amounted to \$207,041,000 was reduced during the six months ended 30 June 2012.

(b) Dividend

The Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

	Fair value measurement at			
	30 June 2013 using		31 December 2012 using	
	Fair value at	Significant other observable input (level 2)	Fair value at	Significant other observable input (level 2)
	30 June 2013	observable input (level 2)	31 December 2012	observable input (level 2)
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurement				
Financial assets				
Convertible bond redemption options	69,599	69,599	63,430	63,430

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: Nil). The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period which they occur.

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the convertible bond redemption option is determined using binomial tree model.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013 except for the following financial instrument, for which the carrying amounts and fair value are disclosed below:

	At 30 June 2013		At 31 December 2012	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Convertible bonds	225,968	221,216	1,220,692	1,104,537

20 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	30 June 2013 \$'000	31 December 2012 \$'000
Contracted for	—	230,069
Authorised but not contracted for	—	908,033
	—	1,138,102

The above commitments as at 31 December 2012 included mainly the land costs and construction related costs to be incurred in respect of the Group's development of its properties for sales and investment properties in mainland China. As a result of disposal of subsidiaries as mentioned in note 9, no capital commitments were outstanding as at 30 June 2013.

21 CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at reporting date is as follows:

	30 June 2013 \$'000	31 December 2012 \$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	735,000	587,427

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the period under guarantee as the individual property ownership certificates have not been obtained and thus the Group can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the purchasers default payments to the banks.

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors are as follows:

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Short-term employee benefits	4,470	3,020

(b) Loans from related parties

Mr. Chen is a director and shareholder of the Group and is considered a related party of the Group. The loans from related parties are made from an entity controlled by Mr. Chen. The loans from an entity controlled by Mr. Chen, amounted to \$253,182,000 (31 December 2012: \$280,284,000) that bear interest at 15% per annum, are unsecured and repayable six months after the date of the respective drawdowns. Interest incurred during the period and interest payable to related parties as at 30 June 2013 are set out in notes 6(a) and 14 respectively.

(c) Other related party transactions

Other amounts due from/(to) related parties are set out in notes 14 and 15. Please refer to note 17 for convertible bonds of the Company held by Mr. Chen and Wanda Commercial Properties Overseas Limited.



**Review report to the board of directors of
Wanda Commercial Properties (Group) Co., Limited**
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 16 to 40 which comprises the consolidated statement of financial position of Wanda Commercial Properties (Group) Co., Limited (the “Company”) as at 30 June 2013 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

23 August 2013

Independent Auditor's Report



Independent auditor's report to the shareholders of Hengli Commercial Properties (Group) Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hengli Commercial Properties (Group) Limited ("the Company") and its subsidiaries (together the "Group") set out on pages 33 to 105, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

6 February 2013

Consolidated Income Statement

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Continuing operations			
Turnover	3	2,773,419	—
Cost of sales		(2,395,066)	—
Gross profit		378,353	—
Gain on redemption/repurchase of convertible bonds	25	14,860	100,669
Valuation gain on investment properties		449,846	215,701
Other revenue	4	10,740	27,585
Other net loss	4	(877)	(4,391)
Selling, administrative and other operating expenses		(75,957)	(59,933)
Profit from operations		776,965	279,631
Finance costs	5(a)	(163,924)	(130,286)
Profit before taxation	5	613,041	149,345
Income tax	6(a)	(369,678)	(17,626)
Profit from continuing operations		243,363	131,719
Discontinued operations			
Results of discontinued operations	7	—	516
Net gain on disposal of subsidiaries		—	62,460
Profit for the year		243,363	194,695
Attributable to:			
Equity shareholders of the Company (from continuing operations: \$232,335,000 (2011: \$123,559,000))		232,335	185,411
Non-controlling interests (from continuing operations: \$11,028,000 (2011: \$8,160,000))		11,028	9,284
Profit for the year		243,363	194,695
Earnings per share (HK cents)			
From continuing operations and discontinued operations			
Basic	12	9.9	8.0
Diluted		3.9	2.0
From continuing operations			
Basic		9.9	5.3
Diluted		3.9	1.4

The notes on pages 40 to 105 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Profit for the year		243,363	194,695
Other comprehensive income for the year (after tax and reclassification adjustments):	11		
Exchange differences on translation of financial statements of subsidiaries in the mainland of the People's Republic of China (the "PRC")		107,621	148,820
Surplus on revaluation of property, plant and equipment		4,038	260
Exchange reserve realised on disposal of subsidiaries		—	(6,027)
		111,659	143,053
Total comprehensive income for the year		355,022	337,748
Attributable to:			
Equity shareholders of the Company		342,078	324,300
Non-controlling interests		12,944	13,448
Total comprehensive income for the year		355,022	337,748

The notes on pages 40 to 105 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Non-current assets			
Fixed assets	13		
— Property, plant and equipment		18,512	4,420
— Prepaid lease payments		46,469	24,940
— Investment properties		2,361,583	1,683,501
		2,426,564	1,712,861
Goodwill	14	106,939	105,531
Deferred tax assets	27(b)	85,510	—
		2,619,013	1,818,392
Current assets			
Properties for sales	16	2,107,945	3,846,822
Deposits for land use right	17	702,694	695,010
Trade and other receivables	18	132,887	267,479
Derivative financial instruments	25	63,430	60,264
Prepaid taxes	27(a)	28,068	120,007
Restricted bank deposits	19	42,904	349,423
Cash and cash equivalents	20(a)	476,641	58,017
		3,554,569	5,397,022
Current liabilities			
Trade and other payables	21	949,417	873,584
Receipts in advance	22	1,532,527	2,051,717
Loans from financial institutions	23	41,099	781,373
Loans from related parties	32(b)	280,284	377,479
Advance from lessee	24	124,360	—
Current taxation	27(a)	550,835	2,749
		3,478,522	4,086,902
Net current assets			
		76,047	1,310,120
Total assets less current liabilities			
		2,695,060	3,128,512

Consolidated Statement of Financial Position

At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Non-current liabilities			
Loans from financial institutions	23	10,008	338,058
Convertible bonds	25	1,220,962	1,203,381
Advance from lessee	24	—	123,000
Deferred tax liabilities	27(b)	668,912	999,985
		1,899,882	2,664,424
NET ASSETS			
		795,178	464,088
CAPITAL AND RESERVES			
	28		
Share capital		235,292	232,897
Retained profits/(Accumulated losses)		84,144	(297,644)
Other reserves		348,008	434,984
Total equity attributable to equity shareholders of the Company		667,444	370,237
Non-controlling interests		127,734	93,851
TOTAL EQUITY		795,178	464,088

Approved and authorised for issue by the board of directors on 6 February 2013

Chen Chang Wei
Chairman

Wu Weilan
Executive Director

The notes on pages 40 to 105 form part of these financial statements.

Statement of Financial Position

At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Non-current assets			
Investments in subsidiaries	15	1,705,241	1,705,241
Current assets			
Trade and other receivables	18	287,328	566,013
Derivative financial instruments	25	63,430	60,264
Cash and cash equivalents	20(a)	23,684	1,328
		374,442	627,605
Current liabilities			
Other payables	21	665,431	718,033
Loans from financial institutions	23	—	50,000
Loans from related parties	32(b)	—	24,000
		665,431	792,033
Net current liabilities		(290,989)	(164,428)
Total assets less current liabilities		1,414,252	1,540,813
Non-current liabilities			
Convertible bonds	25	1,220,962	1,203,381
NET ASSETS		193,290	337,432
CAPITAL AND RESERVES			
Share capital	28	235,292	232,897
Reserves		(42,002)	104,535
TOTAL EQUITY		193,290	337,432

Approved and authorised for issue by the board of directors on 6 February 2013

Chen Chang Wei
Chairman

Wu Weilan
Executive Director

The notes on pages 40 to 105 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012
(Expressed in Hong Kong Dollars)

	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity	
	Note	Share capital	Share premium	Prepaid share reserve	Capital reserve	Special reserve	Exchange reserve	Property revaluation reserve	Statutory reserve fund	Convertible bond reserve	(Accumulated losses)/ Retained profits			Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			\$'000
		28(b)	28(c)(j)		28(c)(m)	28(c)(iv)	28(c)(v)	13(b)	28(c)(ii)	25/28(c)(vi)				
Balance at 1 January 2011		111,851	193,139	111,851	3,038	44,144	104,701	1,616	–	136,770	(484,779)	222,331	188,047	410,378
Changes in equity for 2011:														
Profit for the year		–	–	–	–	–	–	–	–	–	185,411	185,411	9,284	194,695
Other comprehensive income	11	–	–	–	–	–	138,791	98	–	–	–	138,889	4,164	143,053
Total comprehensive income		–	–	–	–	–	138,791	98	–	–	185,411	324,300	13,448	337,748
Rights issue of shares		111,851	–	(111,851)	–	–	–	–	–	–	–	–	–	–
Convertible bonds converted	25	9,195	10,563	–	–	–	–	–	–	(1,789)	–	17,969	–	17,969
Convertible bonds redeemed	25	–	–	–	–	–	–	–	–	(251,589)	–	(251,589)	–	(251,589)
Recognition of redemption options	25	–	–	–	60,264	–	–	–	–	–	–	60,264	–	60,264
Disposals of subsidiaries		–	–	–	(3,038)	(10)	–	(1,714)	–	–	1,724	(3,038)	(107,644)	(110,682)
Balance at 31 December 2011 and 1 January 2012		232,897	203,702	–	60,264	44,134	243,492	–	–	(116,608)	(297,644)	370,237	93,851	464,088
Changes in equity for 2012:														
Profit for the year		–	–	–	–	–	–	–	–	–	232,335	232,335	11,028	243,363
Other comprehensive income	11	–	–	–	–	–	105,705	4,038	–	–	–	109,743	1,916	111,659
Total comprehensive income		–	–	–	–	–	105,705	4,038	–	–	232,335	342,078	12,944	355,022
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	37,501	37,501
Dividend attributable to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(16,562)	(16,562)
Convertible bonds converted	25	2,395	3,339	–	–	–	–	–	–	(466)	–	5,268	–	5,268
Convertible bonds redeemed	25	–	–	–	–	–	–	–	–	(50,139)	–	(50,139)	–	(50,139)
Reduction of share premium	28(c)(i)	–	(207,041)	–	–	–	–	–	–	–	207,041	–	–	–
Appropriation to statutory reserve fund	28(c)(ii)	–	–	–	–	–	–	–	57,588	–	(57,588)	–	–	–
Balance at 31 December 2012		235,292	–	–	60,264	44,134	349,197	4,038	57,588	(167,213)	84,144	667,444	127,734	795,178

The notes on pages 40 to 105 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012
(Expressed in Hong Kong Dollars)

	Note	2012 \$'000	2011 \$'000
Operating activities			
Cash generated from operations	20(b)	1,574,162	99,878
PRC tax paid		(153,041)	(76,956)
Net cash generated from operating activities		1,421,121	22,922
Investing activities			
Payment for the purchase of property, plant and equipment		(822)	(2,064)
Expenditure on investment properties		(161,620)	(116,509)
Disposal of discontinued operations, net of cash disposed of	7 & 18	73,000	(221,803)
Proceeds from sale of available-for-sale investment		—	2,368
Interest received		10,740	9,267
Decrease in restricted bank deposits		306,519	8,664
Net cash generated from/(used in) investing activities		227,817	(320,077)
Financing activities			
Capital injection from non-controlling interests		37,501	—
Interest paid		(49,851)	(75,721)
Loans from related parties		27,062	377,479
Repayment of loans from related parties		(127,328)	—
Proceeds from new loans from financial institutions		—	307,500
Repayment of loans from financial institutions		(1,068,324)	(546,221)
Payment for the repurchase of convertible bonds		(50,000)	(45,274)
Advance from lessee		—	123,000
Dividends paid to non-controlling equity holders of a subsidiary		—	(3,836)
Net cash (used in)/generated from financing activities		(1,230,940)	136,927
Net increase/(decrease) in cash and cash equivalents		417,998	(160,228)
Cash and cash equivalents at 1 January		58,017	209,835
Effect of foreign exchange rate changes		626	8,410
Cash and cash equivalents at 31 December	20(a)	476,641	58,017

The notes on pages 40 to 105 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 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 disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out 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 and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- derivative financial instruments (see note 1(f));
- investment property (see note 1(g)); and
- buildings held for own use (see note 1(h)).

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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 2.

The directors are of the opinion that, after careful consideration of liquidity requirement and cashflow forecasts of the Group, and taking into account of the effect of the financial support from a major shareholder, it is appropriate to prepare the consolidated financial statements on a going concern basis. The directors have concluded that the Group would have sufficient working capital to finance its operations in the next 12 months and remains as a going concern.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, Financial instruments: Disclosures — Transfers of financial assets
- Amendments to HKAS 12, Income taxes — Deferred tax: Recovery of underlying assets

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 7 Financial instruments: disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In respect of the Group's investment properties, the Group has determined that the investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and consequently the presumption in the amended HKAS 12 is rebutted for the property. As a result, the Group continues to measure the deferred tax relating to the investment property using the tax rate that would apply as a result of recovering their value through use.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 and transactions 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 their proportionate share of the subsidiary's net identifiable assets.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

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 income statement and the consolidated statement of 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. Other contractual obligations toward these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(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.

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that are 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 determined 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 1(t)(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 1(i)), 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 1(i).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

Buildings held for own use are stated in the statement of financial position at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the end of reporting period.

Other items of plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(j)).

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

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. Any related revaluation surplus is transferred from the revaluation reserve to retained profits/accumulated losses and is not reclassified to profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 to 50 years
- Leasehold improvements 5 years or over the lease term
whichever is shorter
- Furniture, fixtures and equipment 5 to 10 years
- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation 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.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are 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 exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) Classification of assets leased to the Group *(Continued)*

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)) or is held for development for sale (see note 1(k)).

(j) Impairment of assets

(i) Impairment of investments in subsidiaries and other receivables

Investments in subsidiaries and 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;

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in subsidiaries and other receivables *(Continued)*

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries, impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).
- For trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in subsidiaries and other receivables *(Continued)*

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.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, 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 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Properties for sales

Properties for sales are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property 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 1(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for resale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

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. The equity component is recognised in the convertible bonds equity reserve until either the bond is converted or redeemed.

The convertible bonds redemption options held by the Group are initially measured at fair value and presented as derivative financial instruments (see note 1(f)) and subsequently remeasured in accordance with note 1(f).

If the bond is converted, the convertible bond reserve, together with the carrying amount of the liability component and the derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued.

If the bond is redeemed, any difference between the fair values and the carrying amounts of the liability component and the derivative is recognised immediately in profit or loss. The difference between the total redemption payment and the fair value of the liability component and the derivative is considered as payment to redeem the equity component of the convertible bonds. This deemed redemption payment in relation to the equity component of the convertible bonds is dealt with directly in equity.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(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.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

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.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

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 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.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(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 reporting date 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 reporting period. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or 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 Company or 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.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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 1(s)(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 Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Proceeds received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) 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 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 determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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.

(w) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, the following items are presented on the face of the consolidated income statement:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) 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).

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) 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 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.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

The Group makes estimates and assumptions concerning the future. Notes 14 and 29 contain information about the assumptions and their risk factors relating to goodwill impairment and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Investment property

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(b) Income taxes

(i) PRC Corporate Income Tax

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

(ii) PRC Land Appreciation Taxes

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC Land Appreciation Taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC Land Appreciation Taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax in the years in which such taxes have been finalised with local tax authorities.

(iii) Deferred tax assets and liabilities

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management consider to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. Deferred tax liabilities relating to certain temporary differences are recognised when the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax charge in the year in which such determination is made.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are property development and investment. Turnover during the year is analysed as follows.

	2012 \$'000	2011 \$'000
Continuing operations		
Sales of properties	2,728,045	—
Rental income	43,124	—
Property management income	2,250	—
	2,773,419	—

(b) Services from which reportable segments derive their revenue

After disposal of entire interest in Right Strong Holdings Limited and its subsidiaries (the "Disposal Group") (see note 7) on 24 May 2011, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any special service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(c) Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Fujian Province in the PRC.

(d) Information about major customers

The Group does not have a single customer with whom transactions have exceeded 10% of the Group's turnover for the years ended 31 December 2012 and 2011.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER REVENUE AND NET LOSS

	2012 \$'000	2011 \$'000
Continuing operations		
Other revenue		
Interest income from banks	10,740	9,267
Interest income from loan to a director	—	18,318
	10,740	27,585
Other net loss		
Gain on revaluation of convertible bonds redemption options	3,166	—
Net foreign exchange (loss)/gain	(3,952)	390
Others	(91)	(4,781)
	(877)	(4,391)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2012 \$'000	2011 \$'000
Continuing operations		
(a) Finance costs:		
Interest on loans from financial institutions	43,712	71,374
Interest on convertible bonds (note 12(b))	95,570	102,591
Interest on loans from related parties repayable within one year	67,270	16,739
Deemed interest on advance from lessee	26,232	—
	232,784	190,704
Less: Interest expenses capitalised into properties under development *	(68,860)	(60,418)
	163,924	130,286

* The borrowing costs have been capitalised at rates ranging from 5.85%-18% per annum (2011: 5.4%-6.4% per annum).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION (Continued)

	2012 \$'000	2011 \$'000
(b) Staff costs:		
Contributions to defined contribution retirement plan	1,219	253
Salaries, wages and other benefits	17,778	9,541
	18,997	9,794
(c) Other items:		
Amortisation of prepaid lease payments	138	65
Depreciation of property, plant and equipment	982	802
Impairment losses of trade and other receivables	—	180
Auditor's remuneration		
— Audit services	1,082	941
— Other services	741	1,207
Operating lease charges: minimum lease payments on the hire of property, plant and equipment	527	379
Loss on disposal of property, plant and equipment	4	45
Revaluation surplus on property, plant and equipment (note 13(b))	—	(518)
Cost of properties sold	2,388,283	—

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2012 \$'000	2011 \$'000
Continuing operations		
Current tax		
PRC Corporate Income Tax (iii)	327,485	—
PRC Land Appreciation Tax (iv)	448,140	—
Withholding tax (v)	17,441	—
	793,066	—
Deferred tax		
Origination and reversal of temporary differences:		
— Revaluation of properties for sales	(491,989)	(23,746)
— Revaluation of investment properties	118,890	47,455
— Deductibility of LAT	(79,405)	—
— Effective interest	—	4,578
— Tax losses	29,116	(10,661)
	(423,388)	17,626
Total income tax	369,678	17,626

- (i) Pursuant to the rules and regulations of the Bermuda and BVI, the Group is not subject to any income tax in the Bermuda Islands and BVI.
- (ii) No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and the Group did not have assessable profits in Hong Kong for the year.
- (iii) PRC Corporate Income Tax ("CIT")

The provision for CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2011: 25%). No provision for CIT has been made for 2011 as the Group's subsidiaries in the PRC did not have assessable profits during that year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Income tax in the consolidated income statement represents: (Continued)

(iv) PRC Land Appreciation Tax ("LAT")

All income from sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including costs of land use rights, borrowing costs and relevant development expenditure.

(v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5% – 10%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates (for continuing and discontinued operations):

	2012 \$'000	2011 \$'000
Profit before taxation	613,041	215,018
Notional tax calculated at rates applicable to profits in the tax jurisdictions concerned	167,967	50,113
Tax effect of non-deductible expenses	41,158	25,192
Tax effect of non-taxable income	(5,173)	(32,385)
Tax effect of unused tax losses not recognised	1,383	407
Temporary differences not recognised in previous years	(3,594)	(502)
Withholding tax	17,441	—
LAT and corresponding PRC CIT effect	150,496	(22,502)
Actual tax expense	369,678	20,323

7 DISCONTINUED OPERATIONS

The Company disposed of the Disposal Group to a third party, China Fair Land Properties Limited ("China Fair Land") on 24 May 2011 at a consideration of \$150,656,000 and resulted in a gain of \$62,460,000 for the year ended 31 December 2011.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

	2012			Total \$'000
	Directors' fee \$'000	Salaries allowances and benefits in kind \$'000	Retirement scheme contributions \$'000	
Chairman and executive director:				
Mr. Chen Chang Wei	—	3,888	28	3,916
Executive directors:				
Ms. Chen Dong Xue	—	1,701	47	1,748
Mr. Chan Chi Wang	—	1,187	14	1,201
Ms. Wu Weilan	—	960	14	974
Independent non-executive directors:				
Ms. Lin Wen Feng	96	—	—	96
Mr. Ma Ving Lung	120	—	—	120
Mr. Yip King Keung, Pony	96	—	—	96
	312	7,736	103	8,151

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION (Continued)

	2011			Total \$'000
	Directors' fee \$'000	Salaries allowances and benefits in kind \$'000	Retirement scheme contributions \$'000	
Chairman and executive director:				
Mr. Chen Chang Wei	—	2,825	12	2,837
Executive directors:				
Ms. Chen Dong Xue	—	1,130	—	1,130
Mr. Chan Chi Wang (appointed on 1 July 2011)	—	414	6	420
Ms. Wu Weilan (appointed on 1 July 2011)	—	318	6	324
Ms. Chan Sheung Ni (resigned on 22 June 2011)	—	355	6	361
Independent non-executive directors:				
Ms. Lin Wen Feng	80	—	—	80
Mr. Ma Ving Lung	100	—	—	100
Mr. Yip King Keung, Pony	80	—	—	80
	260	5,042	30	5,332

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2011: all) of them are directors whose emoluments are disclosed in note 8 and which represented such amounts paid/payable since their appointment or up to her resignation. The emoluments in respect of the remaining individual (2011: none), including the emoluments of the directors and already included in the directors' remuneration in note 8, are as follows:

	2012 \$'000	2011 \$'000
Salaries and other emoluments	8,205	5,875
Retirement scheme contributions	75	48
	8,280	5,923

The emolument of the remaining individual with the highest emolument who is not a director with the highest emoluments in 2012 is within the band of nil to \$1,000,000.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of \$99,271,000 (2011: profit of \$109,420,000) which has been dealt with in the financial statements of the Company.

11 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are as follows:

	2012			2011		
	Before tax amount \$'000	Tax expense \$'000	Net of tax amount \$'000	Before tax amount \$'000	Tax expense \$'000	Net of tax amount \$'000
Exchange differences on translation of financial statements of subsidiaries in the PRC	107,621	—	107,621	148,820	—	148,820
Surplus on revaluation of property, plant and equipment	5,323	(1,285)	4,038	347	(87)	260
Exchange reserve realised on disposal of subsidiaries	—	—	—	(6,027)	—	(6,027)
	112,944	(1,285)	111,659	143,140	(87)	143,053

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$232,335,000 (2011: \$185,411,000 from continuing and discontinued operations and \$123,559,000 for continuing operations) and divided by the weighted average number of 2,351,804,000 (2011: 2,321,839,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012 '000	2011 '000
Issued ordinary shares at 1 January	2,328,965	1,118,507
Effect of rights issue	—	1,115,412
Effect of exercise of convertible bonds	22,839	87,920
	2,351,804	2,321,839

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit attributable to equity shareholders of the Company of \$309,879,000 (2011: \$187,333,000 from continuing and discontinued operations and \$125,481,000 for continuing operations) and the weighted average number of 8,033,686,000 shares (2011: 9,170,879,000 shares), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2012 \$'000	2011	
		Continuing and discontinued operations \$'000	Continuing operations \$'000
Profit attributable to equity shareholders	232,335	185,411	123,559
Interest on convertible bonds	95,570	102,591	102,591
Gain on redemption/repurchase of convertible bonds	(14,860)	(100,669)	(100,669)
Gain on revaluation of convertible bonds redemption options	(3,166)	—	—
	309,879	187,333	125,481

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

(ii) Weighted average number of ordinary shares (diluted)

	2012 '000	2011 '000
Weighted average number of ordinary shares at 31 December	2,351,804	2,321,839
Effect of deemed conversion of convertible bonds	5,681,882	6,849,040
	8,033,686	9,170,879

The diluted earnings per share for 2011 excluded the gain on repurchase of convertible bonds from the measure of earnings, in order to conform with the current year calculation of the fully diluted earnings per share.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 FIXED ASSETS

(a) The Group

	Buildings held for own use carried at fair value \$'000	Furniture, fixtures, and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Sub-total \$'000	Interests in leasehold land held for own use under operating leases \$'000	Investment properties \$'000	Total fixed assets \$'000
							(note 13(d))	
Cost or valuation:								
At 1 January 2011	16,527	1,167	3,868	118	21,680	29,719	101,771	153,170
Exchange adjustments	255	126	420	—	801	77	51,028	51,906
Additions	—	149	1,915	—	2,064	—	116,509	118,573
Disposals	—	(52)	(396)	—	(448)	—	—	(448)
Disposal of subsidiaries	(15,183)	(683)	(2,324)	—	(18,190)	(4,596)	(101,771)	(124,557)
Surplus on revaluation	865	—	—	—	865	—	215,701	216,566
Less: elimination of accumulated depreciation	(464)	—	—	—	(464)	—	—	(464)
Transfer from properties for sales	—	—	—	—	—	—	1,300,263	1,300,263
At 31 December 2011	2,000	707	3,483	118	6,308	25,200	1,683,501	1,715,009
Representing:								
Cost	—	707	3,483	118	4,308	25,200	—	29,508
Valuation – 2011	2,000	—	—	—	2,000	—	1,683,501	1,685,501
	2,000	707	3,483	118	6,308	25,200	1,683,501	1,715,009
At 1 January 2012	2,000	707	3,483	118	6,308	25,200	1,683,501	1,715,009
Exchange adjustments	—	6	21	—	27	—	18,614	18,641
Additions	—	462	360	—	822	—	161,620	162,442
Disposals	—	(47)	—	—	(47)	—	—	(47)
Surplus on revaluation	5,323	—	—	—	5,323	—	449,846	455,169
Less: elimination of accumulated depreciation	(197)	—	—	—	(197)	—	—	(197)
Transfer from properties for sales	8,902	—	—	—	8,902	21,667	48,002	78,571
At 31 December 2012	16,028	1,128	3,864	118	21,138	46,867	2,361,583	2,429,588

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 FIXED ASSETS (Continued)

(a) The Group (Continued)

	Buildings held for own use carried at fair value \$'000	Furniture, fixtures, and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Sub-total \$'000	Interests in leasehold land held for own use under operating leases \$'000	Investment properties \$'000	Total fixed assets \$'000
								(note 13(d))
Representing:								
Cost	—	1,128	3,864	118	5,110	46,867	—	51,977
Valuation – 2012	16,028	—	—	—	16,028	—	2,361,583	2,377,611
	16,028	1,128	3,864	118	21,138	46,867	2,361,583	2,429,588
Accumulated depreciation:								
At 1 January 2011	—	680	2,353	107	3,140	1,097	—	4,237
Exchange adjustments	—	114	401	—	515	16	—	531
Charge for the year	464	209	521	11	1,205	106	—	1,311
Written back on disposals	—	(47)	(356)	—	(403)	—	—	(403)
Written back on disposals of subsidiaries	—	(463)	(1,642)	—	(2,105)	(959)	—	(3,064)
Elimination on revaluation	(464)	—	—	—	(464)	—	—	(464)
At 31 December 2011	—	493	1,277	118	1,888	260	—	2,148
At 1 January 2012	—	493	1,277	118	1,888	260	—	2,148
Exchange adjustments	—	(1)	(3)	—	(4)	—	—	(4)
Charge for the year	197	141	644	—	982	138	—	1,120
Written back on disposals	—	(43)	—	—	(43)	—	—	(43)
Elimination on revaluation	(197)	—	—	—	(197)	—	—	(197)
At 31 December 2012	—	590	1,918	118	2,626	398	—	3,024
Net book value:								
At 31 December 2012	16,028	538	1,946	—	18,512	46,469	2,361,583	2,426,564
At 31 December 2011	2,000	214	2,206	—	4,420	24,940	1,683,501	1,712,861

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 FIXED ASSETS (Continued)

(b) Revaluation of properties held for own use

The buildings held by the Group for own use were revalued on an open market value basis at the end of each reporting period by independent firms of surveyors. The valuation of the properties as at 31 December 2012 were carried out by RHL Appraisal Limited and CBRE HK Limited, which has recent experience in the location and category of properties being valued. The revaluation surplus of \$4,038,000 has been recognised in other comprehensive income of the Group, net of deferred tax (2011: \$518,000 was recognised in profit or loss of the Group, net of deferred tax (note 5(c)).

Had these buildings held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been approximately \$9,956,000 (2011: \$1,331,000) at 31 December 2012.

As at 31 December 2012, the property, plant and equipment and the prepaid lease payments with carrying value of \$2,430,000 (2011: \$2,000,000) and \$24,875,000 (2011: \$24,940,000) respectively are pledged as collateral for the Group's borrowings (note 23).

(c) The analysis of net book value of the properties of the Group is as follows:

	2012 \$'000	2011 \$'000
In Hong Kong — held under long lease (over 50 years)	27,305	26,940
In the PRC — held under medium term lease (10 to 50 years)	35,193	—
	62,498	26,940
	2012 \$'000	2011 \$'000
Representing:		
— Buildings held for own use carried at fair value	16,029	2,000
— Prepaid lease payment carried at cost	46,469	24,940
	62,498	26,940

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 FIXED ASSETS (Continued)

(d) Investment properties

	Completed \$'000	Under development \$'000	Total \$'000
At 1 January 2011	101,771	—	101,771
Transfer from properties for sale	—	1,300,263	1,300,263
Addition	—	116,509	116,509
Exchange adjustments	—	51,028	51,028
Surplus on revaluation	—	215,701	215,701
Disposal of subsidiaries	(101,771)	—	(101,771)
At 31 December 2011	—	1,683,501	1,683,501
Representing:			
Valuation — 2011	—	1,683,501	1,683,501
At 1 January 2012	—	1,683,501	1,683,501
Transfer from properties for sales	48,002	—	48,002
Addition	—	161,620	161,620
Exchange adjustments	—	18,614	18,614
Surplus on revaluation	449,846	—	449,846
Transfer	1,863,735	(1,863,735)	—
At 31 December 2012	2,361,583	—	2,361,583
Representing:			
Valuation — 2012	2,361,583	—	2,361,583

- (i) The Group's investment properties was revalued on an open market value basis at the end of the reporting period by an independent firm of surveyors, CBRE HK Limited, which has recent experience in the respective location and category of property being valued. As a result of the revaluation, a net gain of \$449,846,000 (2011: \$215,701,000) has been recognised in profit or loss for the year in respect of investment properties.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 FIXED ASSETS (Continued)

(d) Investment properties (Continued)

- (ii) The Group's investment properties are held under medium-term leases (10 to 50 years) in the PRC.

As at 31 December 2011, the Group's investment properties with fair value of \$1,446,741,000 were pledged as collateral for the Group's borrowings (note 23). None of the investment properties were pledged as at 31 December 2012.

- (iii) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases for most of the properties typically run for an initial period of one to twenty years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum rental receivables under non-cancellable operating leases are as follows:

	2012 \$'000	2011 \$'000
Within 1 year	43,347	4,061
After 1 year but within 5 years	278,797	246,615
After 5 years	1,232,774	1,282,530
	1,554,918	1,533,206

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 GOODWILL

	The Group	
	2012 \$'000	2011 \$'000
Cost	394,782	394,782
Accumulated impairment losses	(299,000)	(299,000)
Exchange adjustments	11,157	9,749
Carrying amount	106,939	105,531

Goodwill arose from the acquisition of the entire issued share capital of Amazing Wise Limited ("Amazing Wise") in 2008. The balance represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Amazing Wise as at the acquisition date.

The Group carried out impairment testing of the goodwill at the end of each reporting period. As a result of the downturn of the PRC property market in 2008, an impairment loss of \$299,000,000 in respect of the goodwill was recorded. No further impairment is considered necessary as a result of subsequent appreciation of property prices. The impairment loss on goodwill was not reversed in accordance with the Group's accounting policy as set out note 1(e).

In assessing the impairment of goodwill, the recoverable amount of the cash generating units ("CGU") is determined. The CGU related to the goodwill includes all subsidiaries under the Fujian segment. The recoverable amount of the CGU is determined based on value-in-use calculations under the Fujian segment. These calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows are extrapolated using an estimated weighted average growth rate of 3%-5% (2011: 3%-5%). The cash flows are discounted using a discount rate of 19% (2011: 17%). In determining discount rate, the Capital Assets Pricing Model ("CAPM") was used. Under CAPM, the appropriate expected rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. The management's key assumptions include profit margins which have been determined based on past performance and its expectations for market performance. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012 \$'000	2011 \$'000
Unlisted investments, at cost	1,705,241	1,705,241

Particulars of principal subsidiaries of the Group are as follow:

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital/ paid in capital	Proportion of ownership interest			Principal activities
			Group's effective interest	held by the Company	held by a subsidiary	
Amazing Wise Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	—	Investment holding
Dalong Industrial Group Limited	Hong Kong	10,000,000 ordinary shares of \$1 each	100%	—	100%	Investment holding
Fujian Zhonglu Real Estate Development (HK) Limited	Hong Kong	1,000 ordinary shares of \$1 each	100%	—	100%	Treasury
Fujian Zhonglu Real Estate Development Co., Limited (notes i, ii and v)	PRC	RMB129,820,000	95% (note v)	—	95%	Property development
Fujian Hengli Real Estate Development Co., Limited (note iii)	PRC	RMB180,000,000	100%	—	100%	Property development
Fujian Hengli Commercial Properties Co. Limited (note iv)	PRC	RMB321,600,000	100%	—	100%	Property management

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital/ paid in capital	Proportion of ownership interest			Principal activities
			Group's effective interest	held by the Company	held by a subsidiary	
Fujian Hengli Bona Plaza Development Co. Limited (note i)	PRC	RMB105,000,000	70%	—	70%	Property development
Fuzhou Hengli & Savills Property Management Co. Limited (note i)	PRC	RMB500,000	55%	—	55%	Property management
Fujian Hengli Assets Management Co. Limited (note iii)	PRC	—	100%	—	100%	Property management

i These entities are equity joint ventures established in the PRC.

ii 30% of the Group's interest in this entity has been pledged as a collateral for the advance from lessee (see note 24).

iii This entity is a wholly foreign owned enterprise established in the PRC.

iv This entity is a domestic enterprise established in the PRC.

v Pursuant to a share transfer agreement (the "Agreement") dated 22 May 2005 between Dalong Industrial Limited ("Dalong"), a subsidiary of the Group, and Fujian Zhonglu Group Co., Limited ("Zhonglu Group"), Zhonglu Group agreed to transfer 95% of equity of Fujian Zhonglu Real Estate Development Co., Limited ("Fujian Zhonglu") to Dalong, after which Fujian Zhonglu became a subsidiary of Dalong. Zhonglu Group has since then been the non-controlling equity holder of Fujian Zhonglu. According to the Agreement, certain assets and liabilities related to an old project commenced before the transfer were retained by Zhonglu Group, the relevant risks and benefits of the aforesaid projects were also retained by Zhonglu Group. Fujian Zhonglu maintains a separate books and records for this old project. As at 31 December 2012, the relevant assets and liabilities amounted to \$35,526,000 (2011: \$43,660,000) and \$35,000 (2011: \$43,400) respectively have not been legally transferred. However, as the risk and benefits of these assets and liabilities were retained by Zhonglu Group, these assets and liabilities were excluded from the consolidated financial statements. The Group is therefore entitled to 95% of the equity interest of Fujian Zhonglu excluding the above mentioned assets and liabilities.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 PROPERTIES FOR SALES

	The Group	
	2012 \$'000	2011 \$'000
Properties under development	700,723	3,846,822
Completed properties for sales	1,407,222	—
	2,107,945	3,846,822

- (a) Analysis of carrying amount of leasehold land included in properties for sales by lease terms is as follows:

	The Group	
	2012 \$'000	2011 \$'000
Held under:		
— long leases (over 50 years) in the PRC	183,112	1,170,807
— medium-term leases (10 to 50 years) in the PRC	1,264,982	1,667,004
	1,448,094	2,837,811

- (b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	The Group	
	2012 \$'000	2011 \$'000
Properties under development	700,723	1,552,713

- (c) Certain of the Group's properties for sale was pledged as securities for the Group's loans from financial institutions as at 31 December 2011 (note 23). None of the Group's properties for sale was pledged as at 31 December 2012.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

17 DEPOSITS FOR LAND USE RIGHT

The amount represents deposits for land use right in respect of a piece of land in Fuzhou. The directors consider that the land use right of that piece of land will be obtained within one year.

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade receivables	115	1,592	—	1,566
Other receivables, prepayments and deposits	132,772	265,887	34,255	105,690
Amounts due from subsidiaries	—	—	253,073	458,757
	132,887	267,479	287,328	566,013

Included in trade and other receivables is an amount due from China Fair Land of \$32,690,000 (2011: \$105,690,000) arising from the disposal of the Disposal Group to China Fair Land. The amount has been fully settled after the year end.

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

The amount of the Group's and the Company's deposits and prepayments expected to be recovered after more than one year are \$98,000 (2011: \$10,626,000).

Details of the Group's credit policy are set out in note 29(a).

(a) Ageing analysis

The ageing analysis of trade receivables based on the invoice date is as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within 1 month	115	26	—	—
Over 1 month	—	1,566	—	1,566
	115	1,592	—	1,566

At 31 December 2012, no impairment allowance is necessary in respect of the Group's trade receivables as the management considers that the balance is fully recoverable. The Group does not hold any collateral over the balance.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

19 RESTRICTED BANK DEPOSITS

Bank deposits have been pledged as security for loans from financial institutions (see note 23). The pledged bank deposits will be released upon the settlement of relevant bank loans.

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank and in hand	476,641	58,017	23,684	1,328

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2012 \$'000	2011 \$'000
Profit before taxation resulting from:			
Continuing operations		613,041	149,345
Discontinuing operations		—	3,213
Net gain on disposal of subsidiaries		—	62,460
		613,041	215,018
Adjustments for:			
Gain on early redemption of convertible bonds		(14,860)	(100,669)
Gain on revaluation of convertible bonds redemption options		(3,166)	—
Valuation gain on investment properties		(449,846)	(215,701)
Revaluation surplus on property, plant and equipment		—	(518)
Depreciation and amortisation		1,120	1,311
Loss on disposal of property, plant and equipment	5(c)	4	45
Finance costs		163,924	130,286
Interest income	4	(10,740)	(27,585)
Net gain on disposal of subsidiaries		—	(62,460)
Changes in working capital:			
Decrease/(increase) in properties for sales		1,751,322	(933,325)
Decrease/(increase) in trade and other receivables		59,784	(157,187)
Increase in deposits for land use right		—	(472,456)
Decrease/(increase) in receipts in advance		(519,190)	1,107,370
Increase in trade and other payables		(17,231)	615,749
Cash generated from operations		1,574,162	99,878

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade payables (note (a))	135,898	185,174	—	—
Other creditors and accrued charges	659,747	671,371	822	380
Interest payable to related parties	79,002	17,013	—	2,327
Amount due to a director (note (b))	58,000	—	58,000	—
Amounts due to subsidiaries (note (c))	—	—	606,609	715,326
Amounts due to non-controlling equity holders (note (c))	16,770	26	—	—
	949,417	873,584	665,431	718,033

- (a) The amount of the Group's trade payables expected to be settled after more than one year is \$93,373,000 (2011: \$135,152,000)

The aging analysis of trade payables based on the invoice date as of the end of reporting period is as follows:

	The Group	
	2012 \$'000	2011 \$'000
Within 1 month	11,428	10,976
1 to 3 months	4,840	21,953
Over 3 months but within 6 months	4,791	32,929
Over 6 months but within 12 months	9,846	65,858
Over 12 months	104,993	53,458
	135,898	185,174

- (b) The amount due to a director represents unsettled amount in respect of redemption of convertible bonds as at 31 December 2012 (see note 25). The amount is unsecured, interest free and repayable on demand.
- (c) The amounts due to subsidiaries and non-controlling equity holders are unsecured, interest free and repayable on demand or within one year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 RECEIPTS IN ADVANCE

The amount represents instalments of sales proceeds received from buyers in connection with the Group's pre-sale of properties. The amount as at 31 December 2012 included sales proceeds of RMB680,382,000 received from a single buyer of certain properties held for sale. The amount is expected to be recognised as revenue of the Group within one year.

23 LOANS FROM FINANCIAL INSTITUTIONS

At 31 December 2012, loans from financial institutions were repayable and secured as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current				
Within 1 year	41,099	781,373	—	50,000
Non-current				
After 1 year but within 2 years	2,159	328,049	—	—
After 2 years but within 5 years	6,851	6,662	—	—
After 5 years	998	3,347	—	—
	10,008	338,058	—	—
	51,107	1,119,431	—	50,000

(a) Assets of the Group pledged to secure the loans from financial institutions comprise:

	2012 \$'000	2011 \$'000
Property, plant and equipment (note 13(b))	2,430	2,000
Prepaid lease payments (note 13(b))	24,875	24,940
Investment properties (note 13(d))	—	1,446,741
Properties for sales (note 16(c))	—	1,142,230
Restricted bank deposits (note 19)	42,904	349,423
	70,209	2,965,334

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

24 ADVANCE FROM LESSEE

The advance from lessee is non-interest bearing, and is secured by the Group's 30 percent interest in a subsidiary (see note 15). The amount was settled subsequent to the reporting date.

25 CONVERTIBLE BONDS

On 21 January 2008, the Company issued \$2,701,711,500 zero coupon convertible bond at 100% of principal amount to Mr. Chen as part of the consideration for the acquisition of Amazing Wise Limited and its subsidiaries. The convertible bond are secured by the shares of Amazing Wise Limited held by the Company.

The rights of the convertible bond holder to convert the convertible bond into ordinary shares are as follows:

- Conversion rights are exercisable at any time up to maturity at the option of convertible bond holders.
- Pursuant to the terms of the convertible bond, the exercise/conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bond have been adjusted as a result of a rights issue in January 2011. The Company is required to deliver ordinary shares at a rate of \$0.334 per share (originally \$0.5 per share before the right issue).

If the convertible bond holder's conversion rights have not been exercised or the convertible bond has not been repurchased or redeemed up to the maturity date, i.e. 20 January 2018, the Company will redeem at face value on 20 January 2018.

During 2011, the Company executed supplemental deeds to modify certain terms of the convertible bonds to amend the restriction to the maximum number conversion rights exercisable at any time up to maturity. In addition, the Company also inserted an early redemption provision such that the Company should have the right at any time to redeem the whole or any part of the outstanding principal amount of the convertible bonds at their face value. The option to enable the Company to redeem the convertible bonds is considered as derivative financial instrument of the Company and revalued at each reporting date. The Directors consider such option to be contributed by Mr. Chen in the capacity of the major shareholder and therefore the asset was credited to capital reserve.

At 31 December 2012, the outstanding principal amount of the convertible bond is \$1,800,000,000 (2011: \$1,916,000,000).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CONVERTIBLE BONDS (Continued)

The convertible bonds recognised in the statements of financial position of the Group and the Company are analysed as follows:

	Liability component	Equity component
	\$'000	\$'000
Net carrying amount at 1 January 2011	1,368,839	136,770
Interest expense (i)	102,591	—
Conversion rights exercised (ii)	(17,970)	(1,789)
Convertible bonds repurchased (iii)	(250,079)	(23,361)
Net carrying amount at 31 December 2011	<u>1,203,381</u>	<u>111,620</u>
Net carrying amount at 1 January 2012	1,203,381	111,620
Interest expense (i)	95,570	—
Conversion rights exercised (ii)	(5,268)	(466)
Convertible bonds redeemed (iii)	(72,721)	(6,292)
Net carrying amount at 31 December 2012	<u>1,220,962</u>	<u>104,862</u>

(i) Interest expense

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 8% to the liability component.

(ii) Conversion rights exercised

Convertible bonds with principal amount of \$8,000,000 and \$30,711,000 were converted on 18 January 2012 and 17 January 2011 respectively.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CONVERTIBLE BONDS (Continued)

(iii) Convertible bonds redeemed/repurchased

On 8 June 2011, the Company repurchased convertible bonds with principal amount of \$45,000,000 held by Mr. Chen, representing approximately 1.94% of the outstanding principal amount of the convertible bond at the date of the repurchase. The consideration is equal to the face value of the convertible bonds and is settled by cash. As a result of the repurchase, the liability component of the convertible bonds was remeasured at its fair value at the date of the repurchase and compared to the carrying amount of the convertible bonds. A fair value gain of approximately \$4,403,000 was recognised in the profit or loss.

In 2011, the Company entered into a sale and purchase agreement to repurchase convertible bonds with principal amount of \$356,000,000 held by Mr. Chen, representing approximately 15.67% of the outstanding principal amount of the convertible bonds at the date of the repurchase. The consideration is equal to the face value of the convertible bonds repurchased and is settled by way of setting off the loan of approximately RMB289,330,000 (equivalent to approximately \$355,726,000) due from Mr. Chen to the Group and the remaining balance of approximately \$274,000 in cash. The repurchase was completed on 31 December 2011 and as a result of the repurchase, the liability component of the convertible bonds was remeasured at its fair value at the date of the repurchase and compared to the carrying amount of the convertible bonds. A gain of approximately \$96,266,000 was recognised in the profit or loss.

On 26 November 2012, the Company early redeemed convertible bonds with principal amount of \$108,000,000 held by Mr. Chen, representing approximately 5.66% of the outstanding principal amount of the convertible bonds at the date of the redemption. The consideration is to be settled by cash in instalments on or before 31 March 2013. As a result of the repurchase, the liability component of the convertible bonds was remeasured at its fair value at the date of the repurchase and compared to the carrying amount of the convertible bonds. A gain of approximately \$14,860,000 was recognised in the profit or loss. As at 31 December 2012, \$58,000,000 has not yet been settled by the Company to Mr. Chen (note 21(b)).

26 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$25,000 (\$20,000 prior to June 2012). Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 12% to 18% of the salaries, bonuses and certain allowances of the employees.

The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2012 \$'000	2011 \$'000
Prepaid tax:		
PRC Corporate Income Tax	22,366	71,693
PRC Land Appreciation Tax	5,702	48,314
	28,068	120,007
Current tax payable:		
PRC Corporate Income Tax	208,796	2,749
PRC Land Appreciation Tax	342,039	—
	550,835	2,749

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:

	Revaluation of properties for sales and buildings held for own use \$'000	Revaluation of investment properties \$'000	Land appreciation tax \$'000	Effective interest \$'000	Tax losses \$'000	Total \$'000
At 1 January 2011	(978,776)	—	4,397	4,491	17,568	(952,320)
Exchange adjustments	(37,200)	—	69	87	887	(36,157)
Transfer to investment properties	203,784	(203,784)	—	—	—	—
Credited/(charged) to profit or loss	23,746	(47,455)	(666)	(4,578)	10,661	(18,292)
Credited to reserves	—	—	(32)	—	—	(32)
Credited to non-controlling interests	—	—	(55)	—	—	(55)
Disposal of subsidiaries	10,584	—	(3,713)	—	—	6,871
At 31 December 2011	(777,862)	(251,239)	—	—	29,116	(999,985)
At 1 January 2012	(777,862)	(251,239)	—	—	29,116	(999,985)
Exchange adjustments	2,278	(7,736)	(62)	—	—	(5,520)
Credited/(charged) to profit or loss	491,989	(118,890)	79,405	—	(29,116)	423,388
Credited to reserves	(1,285)	—	—	—	—	(1,285)
At 31 December 2012	(284,880)	(377,865)	79,343	—	—	(583,402)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

Reconciliation to the consolidated statement of financial position:

	The Group	
	2012 \$'000	2011 \$'000
Deferred tax assets	85,510	—
Deferred tax liabilities	(668,912)	(999,985)
	(583,402)	(999,985)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of \$1,383,000 (2011: \$1,063,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arose in mainland China can be carried forward for five years and the tax losses of the Group arose elsewhere other than in mainland China do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

The Group is subject to withholding tax ranging from 5% to 10% on dividends receivable from its PRC subsidiaries in respect of their profits earned since 1 January 2008. As at 31 December 2012, temporary differences relating to the undistributed profits of the Group's certain PRC subsidiaries amounted to \$187,044,000 (2011: Nil). Deferred tax liabilities of \$12,925,000 (2011: Nil) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these PRC subsidiaries and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Note	Share capital \$'000	Share premium \$'000	Prepaid share reserve \$'000	Capital reserve \$'000	Special reserve \$'000	Convertible bond equity reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 January 2011	111,851	193,139	111,851	3,038	127,961	136,770	(280,204)	404,406
Changes in equity for 2011								
Profit for the year	–	–	–	–	–	–	109,420	109,420
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	109,420	109,420
Rights issue of shares	111,851	–	(111,851)	–	–	–	–	–
Convertible bonds converted	25 9,195	10,563	–	–	–	(1,789)	–	17,969
Convertible bonds redeemed	25 –	–	–	–	–	(251,589)	–	(251,589)
Recognition of redemption options	25 –	–	–	60,264	–	–	–	60,264
Disposal of subsidiaries	–	–	–	(3,038)	–	–	–	(3,038)
Balance at 31 December 2011 and 1 January 2012	232,897	203,702	–	60,264	127,961	(116,608)	(170,784)	337,432
Changes in equity for 2012								
Loss for the year	–	–	–	–	–	–	(99,271)	(99,271)
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	(99,271)	(99,271)
Reduction of share premium	–	(207,041)	–	–	–	–	207,041	–
Convertible bonds converted	25 2,395	3,339	–	–	–	(466)	–	5,268
Convertible bonds redeemed	25 –	–	–	–	–	(50,139)	–	(50,139)
Balance at 31 December 2012	235,292	–	–	60,264	127,961	(167,213)	(63,014)	193,290

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL AND RESERVES (Continued)

(b) Share capital

	2012		2011	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
Authorised:				
Ordinary shares of \$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of \$0.1 each				
At 1 January	2,328,965	232,897	1,118,507	111,851
Rights issue of shares	—	—	1,118,507	111,851
Exercise of convertible bonds	23,952	2,395	91,951	9,195
At 31 December	2,352,917	235,292	2,328,965	232,897

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.

During the year ended 31 December 2012, 23,952,000 ordinary shares of \$0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of \$0.334 per share (see note 25).

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium is governed by Companies Act 1981 of Bermuda.

On 18 January 2012, convertible bonds with principal amount of \$8,000,000 were converted and share premium of \$3,339,000 arose accordingly.

On 28 June 2012, the resolution in respect of proposed reduction of the share premium account of the Company to nil was passed in the special general meeting of the Company. Accordingly, the share premium of the Company amounted to \$207,041,000 was reduced during the year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL AND RESERVES (Continued)

(c) Nature and purpose of reserves (Continued)

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors of the respective subsidiaries 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.

(iii) Capital reserve

In 2002, upon the reorganisation and the listing of the Company, Mr. So Pang Gen, International Offshore Development Limited ("International Offshore"), Chance Fair International Development Limited and Future Opportunity Limited (hereinafter collectively referred to as the "Covenanters"), entered into a deed of tax indemnity with the Company whereby the Covenanters have on a joint and several basis, under certain terms and conditions, undertaken to indemnify the Company in respect of the LAT which might be payable by any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date of listing of the Company's shares on the Stock Exchange (the "Listing Date") or by reference to any act, transaction or event occurring or deemed to occur on or before the Listing Date. The capital reserve of the Company and of the Group as at 1 January 2011 represented the estimated indemnity of LAT from the Covenanters. As a result of the disposal of the Disposal Group in 2011, the capital reserve was extinguished.

In 2011, the Company executed supplemental deeds to insert an early redemption clause to the convertible bonds and Mr. Chen, the holder of the convertible bonds and major shareholder of the Company, accepted such clause amendment in the capacity of a major shareholder. The capital reserve as at 31 December 2011 represents the fair value of the derivative financial assets upon the execution of the supplemental deeds.

(iv) Special reserve

The special reserve of the Group represents the difference between the aggregate nominal value of the share capital of the Company's subsidiaries acquired and the nominal value of the shares issued by the Company in connection with a group reorganisation.

The special reserve of the Company represents the difference between the aggregate of the net asset value of the Company's subsidiaries acquired and the nominal value of the shares issued by the Company in connection with a group reorganisation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL AND RESERVES (Continued)

(c) Nature and purpose of reserves (Continued)

(v) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations in the PRC.

The reserve is dealt with in accordance with the accounting policies set out in note 1(u).

(vi) Convertible bond reserve

Convertible bond equity reserve represents the excess of the principal value over the present value of the future principal payments of the convertible bonds, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option at its inception; and the amount transferred from the balance of the consideration paid for the repurchase or redemption net of the liability component of the convertible bonds extinguished.

(vii) Distributable reserve

As at 31 December 2012, the Company did not have any reserves distributable to shareholders (2011: nil) and, accordingly, the Directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2012 (2011: nil).

The Company's share premium account, special reserve and capital reserve of nil (2011: \$203,702,000), \$44,134,000 (2011: \$44,134,000) and \$60,264,000 (2011: \$60,264,000) respectively, as at 31 December 2012 may be distributable to shareholders, after netting off with the accumulated losses and the convertible bond reserve in certain circumstances prescribed by Section 54 of the Companies Act 1981 of Bermuda.

(d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise return to shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in the objectives, policies or processes during the current year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL AND RESERVES (Continued)

(d) Capital management (Continued)

The Group monitors capital using a gearing ratio, which is defined as net debt divided by aggregate of net debts and total equity. Net debts are calculated as loans from financial institutions, including current and non-current portion, loans from related parties and convertible bonds, net of cash and bank balances as shown in the consolidated statement of financial position. Total equity is as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

The net gearing ratio at 31 December 2012 and 2011 was as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Loans from financial institutions	51,107	1,119,431	—	50,000
Loans from related parties and related interest payable	359,286	394,491	—	26,326
Convertible bonds	1,220,962	1,203,381	1,220,962	1,203,381
Total debt	1,631,355	2,717,303	1,220,962	1,279,707
Less: Cash at bank and in hand and pledged bank deposits	(519,545)	(407,440)	(23,684)	(1,329)
Net debts	1,111,810	2,309,863	1,197,278	1,278,378
Total equity	795,178	464,088	193,290	337,432
Gearing ratio	58.30%	83.27%	86.10%	79.12%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk

The Group has no concentrations on credit risk. The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank, restricted bank deposits, trade and other receivables.

For deposits at banks and financial institutions, deposits are only placed with reputable banks.

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash before delivery of property. The Group has set out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate impairment losses are made for irrecoverable amounts. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

In addition, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is set out in note 31. Except for these financial guarantee by the Group as set out in note 31, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each reporting period is disclosed in note 31.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table show the remaining contractual maturities at the end of each reporting period of the Group's and the Company's non-derivative 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 each reporting period) and the earliest date of the Group and the Company can be required to pay.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The Group:

	2012					Balance sheet carrying amount \$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 year but less than 5 years \$'000	More than 5 years \$'000	Total \$'000	
Trade and other payables	696,438	132,690	61,176	1,113	891,417	891,417
Advance from lessee	124,360	—	—	—	124,360	124,360
Loans from related parties	330,735	—	—	—	330,735	280,284
Loans from financial institutions	42,144	2,411	7,234	1,006	52,795	51,107
Convertible bonds	—	—	—	1,800,000	1,800,000	1,220,962
Amount due to a director	58,000	—	—	—	58,000	58,000
	1,251,677	135,101	68,410	1,802,119	3,257,307	2,626,130

	2011					Balance sheet carrying amount \$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 year but less than 5 years \$'000	More than 5 years \$'000	Total \$'000	
Trade and other payables	856,571	—	—	—	856,571	856,571
Advance from lessee	—	123,000	—	—	123,000	123,000
Loans from related parties	405,262	—	—	—	405,262	394,491
Loans from financial institutions	865,183	361,956	7,234	3,418	1,237,791	1,119,431
Convertible bonds	—	—	—	1,916,000	1,916,000	1,203,381
	2,127,016	484,956	7,234	1,919,418	4,538,624	3,696,874

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Company:

	2012			Balance sheet carrying amount \$'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 5 years	Total	
	\$'000	\$'000	\$'000	
Other payables	665,431	—	665,431	665,431
Convertible bonds	—	1,800,000	1,800,000	1,220,962
	665,431	1,800,000	2,465,431	1,886,393

	2011			Balance sheet carrying amount \$'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 5 years	Total	
	\$'000	\$'000	\$'000	
Other payables	718,033	—	718,033	718,033
Loans from related parties	26,226	—	26,226	24,000
Loans from financial institutions	50,000	—	50,000	50,000
Convertible bonds	—	1,916,000	1,916,000	1,203,381
	794,259	1,916,000	2,710,259	1,995,414

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from loans from related parties and financial institutions. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of each reporting period:

The Group:

	2012		2011	
	Effective interest rate %	\$'000	Effective interest rate %	\$'000
Fixed rate borrowings:				
– Convertible bonds	8	1,260,304	8	1,203,381
– Loans from financial institutions	3.50	39,000	3.25–5.76	586,500
– Loans from related parties	18	280,284	8–20	377,479
		1,579,588		2,167,360
Variable rate borrowings:				
– Loans from financial institutions	2.80	12,108	2–6	532,931
Total borrowings		1,591,696		2,700,291

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile (Continued)

The Company:

	2012		2011	
	Effective interest rate %	\$'000	Effective interest rate %	\$'000
Fixed rate borrowings:				
— Convertible bonds	8	1,260,304	8	1,203,381
— Loans from related parties	—	—	8–20	24,000
		1,260,304		1,227,381
Variable rate borrowings:				
— Loans from financial institutions	—	—	2	50,000
Total borrowings		1,260,304		1,277,381

(ii) Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's financial costs by approximately \$121,000 (2011: \$4,689,000). The Group's profit after tax would decrease/increase by approximately \$121,000 (2011: \$1,656,000), after taking into account of interest capitalisation to properties for sales and investment properties. Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax (and retained profits/accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate instruments held by the Group at the end of each reporting period, the impact on the Group's profit/loss after tax (and retained profits/accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense of such change in interest rates. The analysis is performed on the same basis for 2011.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk

The Group's business is principally conducted in RMB except that the convertible bonds is denominated in Hong Kong dollar (HK\$). The functional currency of the Group's subsidiaries in the PRC is RMB and they do not have significant monetary assets or liabilities denominated in currencies other than RMB. The functional currency of the Group's subsidiaries outside the PRC is HK\$ and they do not have significant monetary assets or liabilities denominated in currencies other than HK\$. As a result, the exchange rate risk is not significant for the Group.

The Group has not entered into any forward exchange contract.

(e) Fair values

The carrying amounts of the Group's and the Company are financial instruments carried at cost or amortised cost is not materially different from their fair values as at 31 December 2012 and 2011 except as follows:

	2012		2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Convertible bonds	1,220,692	1,104,537	1,203,381	685,025

The fair value of liability portion of convertible bonds is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2012 not provided for in the financial statements are as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Contracted for	908,033	1,138,122	—	—
Authorised but not contracted for	230,069	318,061	—	—
	1,138,102	1,456,183	—	—

The above commitments include mainly the land costs and construction related costs to be incurred in respect of the Group's development of its properties for sales and investment properties in mainland China.

- (b) At 31 December 2012, the total future minimum lease payments regarding properties under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within 1 year	50	306	720	—
After 1 year but within 5 years	—	7	2,880	—
	50	313	3,600	—

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31 CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 CONTINGENT LIABILITIES (Continued)

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

	2012 \$'000	2011 \$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	587,427	528,923

The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans in the event of default payments by the purchasers to the banks.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and the highest paid employees as disclosed in note 9, is as follows:

	2012 \$'000	2011 \$'000
Short-term employee benefits	8,280	6,183

Total remuneration is included in "staff costs" (see note 5(b)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Loans from related parties

Mr Chen is a director and major shareholder of the Group and is considered a related party of the Group. The loans from related parties are made from Mr. Chen and an entity controlled by Mr. Chen.

The loans from Mr. Chen, amounted to \$24,000,000, were drawn down in 2011, interest bearing ranging from 18% to 20% per annum and were unsecured and repayable within six months after the date of the respective drawdowns. The loans were extended for a period of six months at an interest rate of 18% per annum and are extended automatically thereafter at the same terms unless they are repaid by the Company. During the year, the Company repaid the loans from Mr. Chen and the related interests of \$6,139,000.

The loans from an entity controlled by Mr. Chen, amounted to \$353,479,000, were drawn down in 2011, interest bearing ranging from 8% to 20% per annum and were unsecured and repayable within six months after the date of the respective drawdowns. The loans were extended for a period of six months at an interest rate of 18% per annum and are extended further at the same terms unless they are repaid by the Group or until 31 December 2012 by which date the interest rate was reduced to be 15% per annum. During the year, a loan of \$27,062,000 which was interest bearing at 18% per annum, unsecured and repayable within two months was further drawdown. In addition, loan principals of \$103,328,000 have been repaid.

(c) Convertible bonds

During the year, the Company redeemed/repurchased convertible bonds with principal amount of \$108,000,000 held by Mr. Chen at the face value of the convertible bonds and the redemption is to be settled by cash in instalments on or before 31 March 2013. In 2011, convertible bonds with principal amount of \$401,000,000 were repurchased by way of setting off the loan of RMB 289,330,000 due from Mr. Chen to the Group and the remaining balance in cash. Details of the convertible bonds redeemed/repurchased and payable to Mr. Chen are disclosed in note 25.

(d) Other related party transactions

Other amounts due to related parties are set out in note 21.

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the interest on loans from related parties constitute connected transactions as defined in Chapter 14A of the Listing Rules, However they are exempted from the disclosure and approval requirements in Chapter 14A of the Listing Rules.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 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 1, Presentation of financial statements:	1 July 2012
— Presentation of items of other comprehensive income	
— HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
— HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 27, Separate financial statements (2011)	1 January 2013
— HKAS 28, Investments in associates and joint ventures	1 January 2013
— Revised HKAS 19, Employee benefits	1 January 2013
— Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKFRS 7, Financial instruments: Disclosures	1 January 2013
— Disclosures — Offsetting financial assets and financial liabilities	
— Amendments to HKAS 32, Financial instruments: Presentation	1 January 2014
— Offsetting financial assets and financial liabilities	
HKFRS 9, Financial instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements except for the following:

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income will be modified accordingly when the amendments are adopted for the first time.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 *(Continued)*

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. HKFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The Group estimates that the adoption of HKFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the 2013 financial statements.

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2012, the directors consider the immediate parent and ultimate controlling party of the group to be Ever Good Luck Limited, which is incorporated in BVI. This entity does not produce financial statements available for public use.

OUR PRINCIPAL OFFICES

ISSUER	COMPANY	WANDA HK
Wanda Properties International Co. Limited P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands	Dalian Wanda Commercial Properties Co., Ltd 23/F Block B, Wanda Plaza 93 Jianguo Road Chaoyang District, Beijing PRC	Wanda Commercial Properties (Hong Kong) Co. Limited Unit 606, 6th Floor Alliance Building 133 Connaught Road Central Hong Kong

PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
40th Floor
One Canada Square
London E14 5AL
United Kingdom

TRUSTEE

The Bank of New York Mellon, London Branch
40th Floor
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building — Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

ACCOUNT BANK

The Bank of New York Mellon, Hong Kong Branch
Level 24, Three Pacific Place
1 Queen's Road East
Hong Kong

OUR LEGAL ADVISORS

As to Hong Kong law

Reed Smith Richards Butler
20th Floor
Alexandra House
18 Chater Road
Hong Kong

As to PRC law

Tian Yuan Law Firm
10/F, China Pacific Insurance Plaza
28 Fengsheng Lane, Beijing
PRC

As to British Virgin Islands law

Appleby
2206-19 Jardine House
1 Connaught Place Central
Hong Kong

LEGAL ADVISORS TO THE JOINT LEAD MANAGERS

As to Hong Kong law

Linklaters
10th Floor
Alexandra House
18 Chater Road
Hong Kong

As to PRC law

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing 100025
PRC

LEGAL ADVISOR TO THE TRUSTEE

As to Hong Kong law

Linklaters
10th Floor
Alexandra House
18 Chater Road
Hong Kong

INDEPENDENT AUDITOR OF THE COMPANY AND WANDA HK

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

INDEPENDENT AUDITOR OF THE HONG KONG LISTCO

KPMG
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

IMPORTANT NOTICE

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

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

Confirmation of Your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States. This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to Merrill Lynch International, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch and Barclays Bank PLC (together, the “Joint Lead Managers”) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Joint Lead Managers or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the Joint Lead Managers or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Joint Lead Managers.

Restrictions: The attached document is being furnished in connection with an offering in offshore transactions to persons outside the United States in compliance with Regulation S under the Securities Act of 1933, as amended (the “Securities Act”) solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

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

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

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

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

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