佳兆業集團控股有限公司*
KAISA GROUP HOLDINGS LTD.

20th 1999-2019

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1638

ANNUAL REPORT 2018

* For identification purposes only

CORPORATE OVERVIEW

Established in 1999, Kaisa Group Holdings Limited (the "**Company**" or "**Kaisa**", which together with its subsidiaries, is referred to as the "**Group**"), is a large-scale integrated property developer. The shares of the Company began trading on the Main Board of The Stock Exchange of Hong Kong Limited on 9 December 2009. As a pioneer in the property market of the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**"), Kaisa has anticipated China's national development strategy and proactively undertaken comprehensive property development, urban redevelopment, operation of commercial properties, hotel management and property management. Its products comprise of residential properties, villas, offices, serviced apartments, integrated commercial buildings and mega urban complexes.

Having established its home base in Shenzhen, Kaisa has been expanding its presence in the Greater Bay Area over the years. With footholds in Shenzhen, Guangzhou, Huizhou, Zhuhai, Foshan, Dongguan and Zhongshan, the Group's businesses also cover the economically vibrant cities in such regions as the Yangtze River Delta, western and central parts of China and the pan-Bohai Rim. As at 31 December 2018, the Group's land bank in the Greater Bay Area totaled approximately 13.1 million sq.m., or approximately 54.3% of its total land bank. By virtue of its rich experience in urban redevelopment, the Group has secured many high-quality urban redevelopment projects in the Greater Bay Area, mainly in such cities as Shenzhen, Guangzhou and Zhongshan, which will lay a solid foundation for the Group's future development.

Kaisa is committed to the core values of "professionalism, innovation, value creation and responsibility" and manifests them by participating actively in a wide range of urban development projects in China. In recent years, the Group has also capitalized on a series of government policies on national development by diversifying into the fields of cultural activities and sports, health care and technology industry, aiming to achieve synergy between the various businesses. We have built such a good reputation that the "Kaisa" brand is itself guarantee of quality properties and good services. Kasia's development will inject more creative energy into China's urbanization.

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. KWOK Ying Shing *(Chairman)*
Mr. SUN Yuenan *(Vice Chairman)*
Mr. ZHENG Yi
Mr. MAI Fan
Mr. WENG Hao

NON-EXECUTIVE DIRECTOR
Ms. CHEN Shaohuan

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. RAO Yong
Mr. ZHANG Yizhao
Mr. LIU Xuesheng

AUDIT COMMITTEE
Mr. RAO Yong *(Chairman)*
Mr. ZHANG Yizhao
Ms. CHEN Shaohuan

REMUNERATION COMMITTEE
Mr. ZHANG Yizhao *(Chairman)*
Mr. RAO Yong
Mr. KWOK Ying Shing

NOMINATION COMMITTEE
Mr. KWOK Ying Shing *(Chairman)*
Mr. RAO Yong
Mr. ZHANG Yizhao

AUTHORISED REPRESENTATIVES
Mr. SUN Yuenan
Mr. MAI Fan

COMPANY SECRETARY
Mr. YU Kwok Leung

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC
Room 3306, Kerry Center
Ren Min Nan Road
Luohu
Shenzhen
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 2001
20th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKERS

Bank of China Limited
Industrial and Commercial Bank of China Limited
Ping An Bank Company Limited
China Citic Bank Corporation Limited
China Minsheng Banking Corp. Ltd.

LEGAL ADVISERS

As to Hong Kong and U.S. law:
Sidley Austin

As to PRC law:
King & Wood Mallesons

As to Cayman Islands law:
Harney Westwood & Riegels

AUDITOR

Grant Thornton Hong Kong Limited

LISTING INFORMATION

Share Listing

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
(Stock Code: 1638.HK)

COMPANY'S WEBSITE

http://www.kaisagroup.com

MILESTONES

03 MAR

- Kaisa Group was selected as a constituent of Hang Seng Composite LargeCap & MidCap index.

05 MAY

- Kaisa Group was included as a constituent of Hang Seng Stock Connect Big Bay Area Composite Index.
- Kaisa Group was granted an "AA+" credit rating with a "Stable" rating outlook by China Chengxin Securities Credit Rating Co., Ltd.

MILESTONES

06 JUN

- The Xi'an Municipality Government and Kaisa Group signed the cooperative agreements for three major projects, namely Yanliang Kaisa Cultural and Leisure City, Xi'an Lintong International Tourist Resort Romantic Football Town and Comprehensive Reconstruction of the Baxian Gong area in Stele Forest, to jointly work on the benchmark projects for the "Silk Road Economic Belt".

- 2018 Guangdong Poverty Alleviation Day cum Rural Rejuvenation Event – 10,000 Enterprises Assisting 10,000 Villages, was held in Guangzhou. In addition to the donation of RMB100 million in 2017, Kaisa Group pledged another donation of RMB120 million in 2018 for supporting the poor in the province to get rid of poverty.

08 AUG

- Kaisa Group and Ligue de Football Professionnel jointly organized the Champions Trophy 2018. The first match was held at Shenzhen Universiade Sports Centre. As the sole operator, Kaisa Group was the first to introduce the game in Shenzhen, marking a milestone for organizing top-class games IP in the future.

- The news conference of "Three Projects in Zhongshan" was held by Kaisa Group, witnessing the launch of the three projects, namely Kaisa Metro City, Kaisa Xiangshan Royal Palace and Kaisa Shangpin Garden.

MILESTONES

09 SEP

- *Faraway Home*, the first TV drama that Kaisa Group has invested in, was broadcasted at China Central Television ("CCTV") General Channel. *Faraway Home* was produced by CCTV, Kaisa Media and Entertainment Company Ltd. a subsidiary of Kaisa Group and Hebei Shuimuchuan Media Co., Ltd, and jointly filmed by the Publicity Department of the Shenzhen Committee of the Communist Party of China.

- 2018 Product Launch Conference in relation to five development projects of Kaisa Group was held in Shenzhen Marriott Hotel Golden Bay. Kaisa City Plaza Phase 6, Kaisa Future City, Kaisa Yantian City Plaza, Pinghu Kaisa Plaza and Kaisa E Cube were introduced during the conference.

10 OCT

- The groundbreaking ceremony of Kaisa Airport Phoenix Science and Technology City, was held at Xiaogan Airport Economic Zone, Hubei. The project occupies a site area of 6 sq. km and will be developed into a high-tech industrial new town integrating an industry innovation centre, an electronic information park and a life science park.

MILESTONES

11 NOV

- In Round 30 of the 2018 China League One, Shenzhen Kaisa Football Team won at home, successfully achieving its goal of returning to the Chinese Super League.
- Kaisa Group signed the bank-enterprise strategic cooperation agreement with Agricultural Bank of China (Guangzhou Branch) in Shenzhen.
- Orientino Liaoyang Hotel officially commenced operation, which marked Kaisa Group's entrance into the high-end hot springs resort market.
- Kaisa Group completed the demolition of the terminal building of Futian Border in Shenzhen, which represented the satisfactory solution to the demolition issues of the East Square in Futian Border that had lasted for more than 10 years. This also marked a critical step towards the construction of ancillary facilities and acceleration of the renovation and optimisation of the East Square of Futian Border.

12 DEC

- Kaisa Property Holdings Limited (Stock code: 2168) was listed on the main board of the Hong Kong Stock Exchange, symbolising the official entry of Kaisa Property into the international capital market.
- Kaisa Group successfully won the bid for Xiaoping Village urban renewal project in Baiyun District, Guangzhou. The project was the first old village renewal project in Guangzhou which publicly selected cooperative enterprises upon approval of the implantation proposal.
- The signing ceremony of strategic cooperation agreement between China Minsheng Bank and Kaisa Group was held in Beijing. Both parties will promote the cooperation in various fields, such as capital market business and joint investments onshore and offshore. It is expected that the total investment amount for integrated financial services will reach RMB20 billion.

AWARDS

Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy

March 2018

30th of 2018 China Top 100 Real Estate Developers

China Real Estate Association, Shanghai E-house China R&D Institute China Real Estate Appraisal Centre

May 2018

32nd of 2018 China Top 100 Listed Real Estate Companies in Overall Strengths

Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy

May 2018

4th of 2018 TOP10 China-based Hong Kong-listed Property Developers in Investment Value

Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy

May 2018

6th of 2018 TOP10 China-based Hong Kong-listed Property Developers in Wealth Creation Capability

Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy

May 2018

8th of 2018 TOP10 China Listed Property Developers in Corporate Governance

Organizing Committee of China Property Award of Supreme Excellence

June 2018

China Property Award of Supreme Excellence 2018

The Economic Observer

June 2018

China's Blue-chip Real Estate Enterprise

The Hong Kong Institute of Financial Analysts and Professional Commentators Limited

July 2018

Outstanding Listed Company Award 2018

21st Century Business Herald

July 2018

Golden Brick Award for Real Estate of China – 2018 Most Influential Real Estate Enterprise

Fortune China and CICC Wealth Management

July 2018

229th on the 2018 Fortune China 500 list

AWARDS

Eh-Consulting

August 2018

2018 TOP 23 Property Companies in terms of Integrated Capability

Eh-Consulting

August 2018

2018 TOP17 China's Real Estate Enterprises by Brand Value

Eh-Consulting

August 2018

2018 China Benchmark City-Industry Operator

Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy

September 2018

2018 TOP10 Chinese Professional and Leading Developers in Integrated Development (Urban Redevelopment)

Securities Times

October 2018

2018 "Golden Wing Awards", Shenzhen-Hong Kong Stock Connect's Fastest Growing Companies

Hong Kong TVB Finance & Information Channel

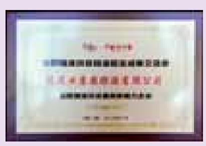
December 2018

2018 Listed Companies Distinguished Awards

Sina Finance

December 2018

2018 Golden Lion Awards Hong Kong Stock Listed Companies – Best Investment Value



China Internet Information Center and China City Newspaper of People's Daily

December 2018

First Batch of Influential Enterprises in Precise Poverty Alleviation Award

Hong Kong Ta Kung Wen Wei Media Group

December 2018

China Securities Golden Bauhinia Award – "The Most Valuable Listed Company"

QUALITY LIVING

Quality plays a pivotal role in an enterprise' s development with enduring perseverance create endless possibilities

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Kaisa Group Holdings Ltd. ("Kaisa" or the "Company", together with its subsidiaries, the "Group"), I hereby present to you the annual results of the Group for the year ended 31 December 2018 (the "Year") together with the comparative figures for the previous year.

RESULTS AND DIVIDEND

For the year ended 31 December 2018, the Group's turnover and gross profit increased by approximately 18.1% and 24.6% to approximately RMB38,705.0 million and RMB11,128.8 million respectively, as compared to 2017. Profit for the year attributable to equity holders of the Company and basic earnings per share decreased by approximately 16.3% and 24.8% to approximately RMB2,750.2 million and RMB45.3 cents respectively, as compared to 2017. Core net profit (excluding net gain on repurchase of senior notes, net fair value loss on financial assets at fair value through profit or loss, net exchange losses/gains, fair value change on investment properties and financial derivatives, and net of respective deferred tax) increased by 303.8% to approximately RMB4,729.0 million in 2018 from approximately RMB1,170.9 million in 2017.

The Board recommended payment of a final dividend of HK9.0 cents per share for the year ended 31 December 2018 (2017: HK11.8 cents per share). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting (the "AGM").

BUSINESS REVIEW

Property Market and Policies

In 2018, China's economy grew steadily under the government's directives on pursuing for new development principle, quality growth and the supply-side reform. In 2018, the country's gross domestic product grew by 6.6% from 2017 to exceed RMB90 trillion for the first time, meeting the economic growth target set by the Chinese government.

Stringent regulations on the real estate market that started in 2017 continued well into 2018. Under the principle that "housing is for living in, not for speculation", more than 400 policies and rules for regulating the property market had been introduced nationwide. They were aimed at ensuring sufficient housing supply to meet the domestic demand and at curbing speculative investment. Market volatility dampened home buyers' sentiment in the second half of 2018.

According to the National Bureau of Statistics, 1,716.54 million sq.m. of commodity housing in gross floor area were sold in 2018, up by 1.3% compared with that in 2017. The growth rate was 6.4 percentage points lower than that in 2017. The value of commodity housing transactions grew by 12.2% to RMB14.9973 trillion in 2018. The growth rate was 1.5 percentage points lower than that in 2017.

Contracted Sales

To stay competitive in China's fragmented property market, the Group has standardized construction procedures and housing design to ensure that all its property projects would be launched as scheduled. Meanwhile, the Group satisfied the demand of first-time home buyers and upgraders with well-received products and quality, comprehensive services after having considered some crucial factors such as property locations and product positioning as well as customer preferences. As a result, the Group recorded rapid growth in sales.

For the year ended 31 December 2018, the Group's attributable contracted sales surged by 56.7% year on year to a record high of approximately RMB70,059 million, meeting its annual sales target. According to the "2018 TOP 200 Chinese Property Developers" jointly published by China Real Estate Information Corp ("CRIC") and China Real Estate Appraisal Center, the Group ranked 37th in terms of contracted sales value.

CHAIRMAN'S STATEMENT

On the back of an economic boom in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") and the Group's strong brand influence that had resulted from many years of its thorough property development in that area, Kaisa's contracted sales in the Greater Bay Area accounted for nearly 60% of its total while those in central China and the Yangtze River Delta made up 12% and 11% respectively.

In the first-tier and major second-tier cities where the Group has focused its efforts to develop business, local economy and industries as well as population mobility continued to support the development of the property sector during the Year. In particular, property projects in first-tier cities contributed to 48% of the Group's contracted sales. Remarkably, its urban renewal projects in Shenzhen such as Kaisa Future City, Pinghu Kaisa Plaza and Kaisa City Plaza repeatedly topped the regional and nationwide sales charts during the Year. Projects in major second-tier cities and the peripheral cities accounted for 49% of the Group's contracted sales, and such projects as Kaisa City Plaza in Nanjing, Meixi Lake Project in Changsha, Kaisa Mansion No.8 in Chengdu, Riverbank New Town in Huizhou and Kaisa Plaza in Wuhan had good sales performance.

Land Bank

During the Year, the Group acquired a total of 30 parcels of land, where approximately 3.32 million sq. m. of attributable gross floor area to the Group can be built, for a total attributable consideration of approximately RMB15,778 million. The figure also represented an average land cost of approximately RMB4,750 per sq. m. Of such newly acquired lands, those in the Greater Bay Area accounted for 56% of the attributable consideration. In addition, the Group extended its geographical market coverage from the five major city clusters of the Pearl River Delta, Yangtze River Delta, central and western parts of China and the pan-Bohai Rim to Sanya, Hainan during the Year in order to capture the opportunities arising from the development of the province. As of 31 December 2018, the Group had 152 real estate projects in 45 cities nationwide. The Group's land bank totaled 24.0 million sq. m., of which 13.1 million sq. m are in the Greater Bay Area, accounting for 54.3% of the Group's overall land bank. The Group's land bank in Shenzhen and Guangzhou, which are the core markets that the Group has intensively developed over the years, accounted for 38% of its land bank in the Greater Bay Area.

The Group replenishes its land bank with quality plots of land through participation in urban renewal, M&A, tenders, auctions, bids for lands in the listings posted by the government. During the Year, the Group successfully won a tender for an urban renewal project in Xiaoping Village, Baiyun New Town, Baiyun District, which is a prime location in downtown Guangzhou. Baiyun New Town also enjoys comprehensive ancillary facilities. The won tender is also the Group's first old-village type of urban renewal project in Guangzhou. The project is part of the trend of putting to efficient use the lands in downtown areas of China's first-tier cities. Such a move is aimed at increasing the land value and improving the housing environment for the indigenous residents. The urban renewal project in Xiaoping Village will also consolidate Kaisa's influence in the field of urban renewal in Guangzhou, thus laying a solid foundation for the Group's subsequent urban renewal projects in the future. In addition, plots of lands acquired for the Group's Dongmendao Project in Luohu District, Shenzhen and Kaisa Lake View Waldorf Garden (New Phase) in Xiangzhou District, Zhuhai were also added to the Group's land bank for property development during the Year. Through all these property projects, Kaisa has manifested its influence and brand recognition in the field of urban renewal in the Greater Bay Area.

Financing and Capital Market Management

To cope with the credit crunch, the Group strived to accelerate collection of proceeds from property sales and strengthened the management of capital, budget, costs and expenditure during the Year. In addition, the Group also tried actively to optimise its debt structure and reduce financing costs by raising fund through multiple onshore and offshore financing channels.

In terms of onshore financing, the Group continued to deepen its cooperation with financial institutions and actively sought to diversify its financing channels through asset securitization. During the Year, the Group was granted an "AA+" credit rating with a "Stable" outlook by China Chengxin Securities Credit Rating Co., Ltd., an authoritative rating agency in China. This rating can be conducive to the issuance of the Group's debentures in the future.

By now, the Group has obtained the approvals from the Shenzhen Stock Exchange to issue four ABS, namely RMB5 billion worth of ABS linked to supply chain financing, RMB3 billion worth of ABS linked to long-term rental apartments, RMB685 million worth of ABS secured by mortgage balloon payments and RMB475 million worth of ABS backed by income of shipping business.

CHAIRMAN'S STATEMENT

Regarding offshore financing, the Group issued US$100 million convertible bonds at a coupon rate of 10.5% due 2021 in December 2018. In May and June of 2018, the Group repurchased senior notes with the total principal consideration of US$108.0 million at the coupon rate of 8.5% due 2022 and senior notes with the principal consideration of US$67.5 million at a coupon rate of 9.375% due 2024 from on the open market. The moves represented the Group's initiatives in debt management.

In February 2019, the Group issued US$400 million senior notes at a coupon rate of 11.75% due 2021 on the open market. The offering attracted strong market demand and received overwhelming responses from more than 100 international and domestic institutions. This reflected the international capital market's confidence in Kaisa's sound strategy for business development in the Greater Bay Area as well as its business performance and prospect.

During the Year, the Group successfully spun off its property management business – Kaisa Property Holdings Limited ("Kaisa Property", stock code: 2168), through a separate listing on the Main Board of the Hong Kong Stock Exchange. By entering the international capital market, Kaisa Property will have ample room to manoeuvre into its pursuit of business development. In addition, the Group became a constituent of the Hang Seng Composite LargeCap & MidCap Index and a constituent of Hang Seng Stock Connect Big Bay Area Composite Index in March and May 2018 respectively. This has reflected investors' recognition of the Company's intrinsic value.

As at 31 December 2018, the Group's cash and bank deposits (including bank deposits, cash and bank balances and restricted cash) amounted to RMB22,924.1 million. And the Group's quick ratio has been improved from 1 time as the end of 2017 to 1.3 times at the end of 2018 reflecting a better liquidity position.

Corporate Social Responsibility

Shenzhen Football Club, which was acquired by the Group in February 2016, was successfully promoted to the 2019 Chinese Football Association Super League during the Year. As the only team representing Shenzhen to compete in a national professional football league, Shenzhen Football Club has won promotion to the highest tier of professional football in China, carrying out the spirit of Shenzhen. This also showed the fruits of the Group's efforts to introduce internationally renowned coaches and players into Shenzhen Football Club and its efforts to establish a scientific, modern football management system as well as its other endeavours to contribute to the development of the Chinese football industry in the past three years.

Regarding poverty alleviation, the Group assisted farmers of poverty-stricken areas of Huizhou city, Guangdong province, in leveraging e-commerce platforms to sell their agricultural produce to urban areas so that they can earn enough or even more to improve the standard of living. It also made use of internet to carry out its poverty alleviation campaigns with precision. In recognition of these efforts, Kaisa won the title of "First Batch of Influential Enterprises in Precise Poverty Alleviation Award" from the China Internet Information Center and the China City News of People's Daily. The Group's charitable endeavours has also been documented in a case study titled "Kaisa Group Donated RMB220 Million in Two Years to Help Fully Implement Precision Poverty Alleviation in Guangdong" which was published in the Poverty Alleviation Achievement Report 2018. Kaisa is China's only real estate company to have received such honour.

CHAIRMAN'S STATEMENT

PROSPECT

On 18 February 2019, the Central Committee of the Communist Party of China and the State Council officially unveiled the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, which sets the directions of and guidance on the coordinated development within the Greater Bay Area. The coordinated economic development and enhanced connectivity on the back of improved cross-border transport under the plan will undoubtedly add impetus to the development of the property market in the Greater Bay Area. This will also bring tremendous opportunities to Kaisa which has established a strong foothold in the area over the years.

In order to actively capture the opportunities arising from the development of the Greater Bay Area, the Group will continue to consolidate its business presence there and keep an eye open for opportunities to replenish its land bank for new property projects in Shenzhen, Guangzhou and their surrounding areas. Meanwhile, the Group will also focus on the surrounding areas of Shanghai and Beijing and keep on exploring opportunities for business development in other first-tier cities and major second-tier cities as well as their surrounding areas. Regarding the acquisition of land resource, the Group will fully leverage its advantages in the businesses of leisure, technology and healthcare to secure the land supply for the short and long term through tenders, auctions, bids for lands in the listings posted by the government and participation in urban renewal and industrial property development.

As to property sales, the Group expects that the Chinese government will continue with its city-specific policies to regulate the property market in 2019. The housing prices in first-tier cities will remain at a high level with low volatility, while there is a rising expectation that the government will ease its regulatory measures in second-tier cities. The momentum of the housing price increase in third- and fourth-tier cities will diminish. All this will make the divergent development of the municipal and provincial property markets even more pronounced. Thus, the Group will adhere to the principle that "cash is king" and continue with its prudent approach to business development. Notably, it will continue to keep abreast of changes to the property market and flexibly adjust its sales strategies and the pace of its sales effort accordingly. It will also step up inventory clearance and collection of proceeds from property sales.

As to financial management, the Group takes deleveraging as its first priority, and will continue to explore more channels for low-cost financing and improve its debt management. It will also continue to step up the collection of proceeds from property sales and strengthen capital management by utilizing its assets fully and efficiently.

Acknowledgement

The steady development of the Group during the Year depended on the enormous support from the community, as well as the dedication and contribution of our staff members. On behalf of the Board, I would like to take this opportunity to extend my wholehearted gratitude to all shareholders, investors, business partners and customers of the Company for their trust and support. We will continue to work hard to fulfil or even exceed our goals so as to maximise the value and returns to our shareholders and investors.

KWOK Ying Shing
Chairman

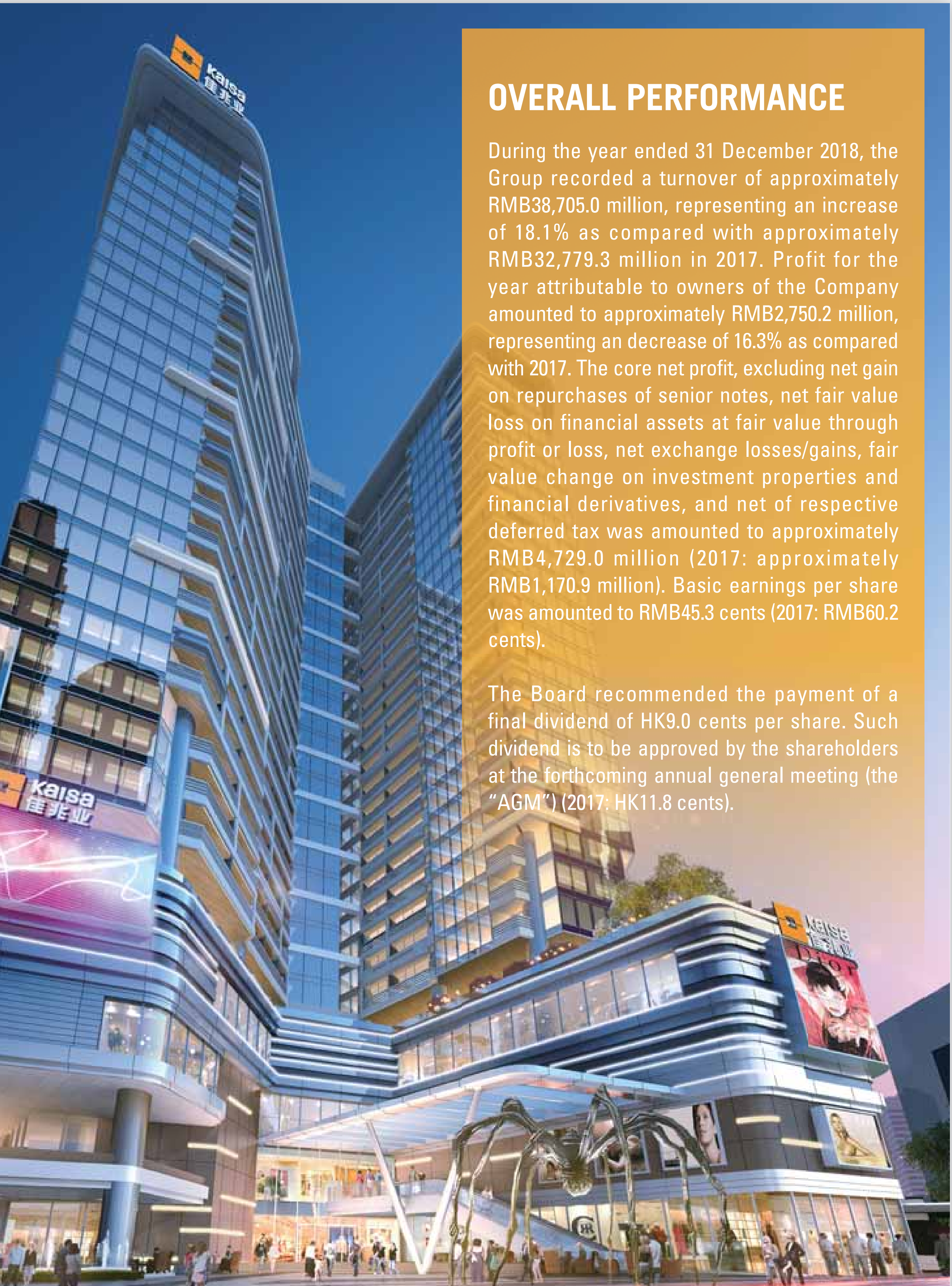
Hong Kong, 26 March 2019


LOUIS VUITTON

FINE LIVING

Giving priority to customers value
with enduring perseverance
create endless possibilities

MANAGEMENT DISCUSSION AND ANALYSIS



OVERALL PERFORMANCE

During the year ended 31 December 2018, the Group recorded a turnover of approximately RMB38,705.0 million, representing an increase of 18.1% as compared with approximately RMB32,779.3 million in 2017. Profit for the year attributable to owners of the Company amounted to approximately RMB2,750.2 million, representing an decrease of 16.3% as compared with 2017. The core net profit, excluding net gain on repurchases of senior notes, net fair value loss on financial assets at fair value through profit or loss, net exchange losses/gains, fair value change on investment properties and financial derivatives, and net of respective deferred tax was amounted to approximately RMB4,729.0 million (2017: approximately RMB1,170.9 million). Basic earnings per share was amounted to RMB45.3 cents (2017: RMB60.2 cents).

The Board recommended the payment of a final dividend of HK9.0 cents per share. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting (the "AGM") (2017: HK11.8 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted sales in 2018

In 2018, the Group's contracted sales amounted to approximately RMB70,059 million, representing an increase of 56.7% from 2017. Aggregated GFA sold for the year was 3,836,621 sq. m., representing an increase of 37.7% from 2017. Average selling price of the contracted sales in 2018 increased by 13.8% to RMB18,261 per sq. m. from RMB16,048 per sq. m. in 2017. The table below shows the Group's contracted sales by region in 2018:

Region	Contracted sales area (sq.m.)	Contracted sales amount (RMB in millions)
Pearl River Delta	1,616,221	41,767
Yangtze River Delta	394,101	7,553
Central China Region	518,570	8,454
Western China Region	640,090	5,651
Pan-Bohai Bay Rim	667,639	6,634
Total	**3,836,621**	**70,059**

Property development

Projects completed in 2018

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the Year, the GFA of newly completed projects of the Group amounted to approximately 2.01 million sq. m..

Projects under development

As at 31 December 2018, the Group had 56 projects under development with an aggregate of GFA of approximately 10.7 million sq. m..

Property management

The Group generated revenue from providing property management services. During the year ended 31 December 2018, the Group managed a total GFA of approximately 26.8 million sq. m.. The Group's property management is striving to deliver excellent and professional services to its customers and enhance brand and corporate image. As of 31 December 2018, the Group's property services penetrated into nearly 38 cities nationwide, covering residential, commercial, office, tourism and large-scale stadiums.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 31 December 2018, the Group held 22 investment property projects, with an aggregate GFA of 1,506,254 sq. m., including completed investment properties of GFA of 607,815 sq. m. for leasing purpose.

Land bank

The Group remained cautious in its replenishing land bank by making reference to the availability of land supply and its existing land bank in the regions. By ways such as joint development, acquisition and bidding, auction and listing as well as urban renewal, the Group continues to seek project resources in China's regions where economy prospers. On top of the existing projects, the Group has made its foray into ten new cities, in the provinces of Jiangsu, Zhejiang, Hebei, Guangdong, Sichuan, Hunan and Hainan during the Year.

In 2018, the Group acquired a total of 30 parcels of land or related interests by way of bidding, auction and listing, joint development, acquisition and urban renewal. The aggregate attributable consideration for land acquisition amounted to approximately RMB15,778 million, and the average land cost attributable to the total GFA per unit was approximately RMB4,750 per sq.m.. The total attributable GFA per maximum allowed plot ratio attributable to the Group was approximately 3,321,475 sq. m..

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, the Group had a total land bank of approximately 24.0 million sq. m. and approximately 54.3% of land bank was located in the Greater Bay Area, which is sufficient for the Group's development needs for the next five years.

The table below sets forth detailed information of these land acquisitions:

Time of Acquisition	Location	Attributable Interest	Site Area (sq.m.)	Attributable Capacity Building Area (sq.m.)	Attributable Consideration (RMB in millions)	Type
May 2018	Xuzhou, Jiangsu	50%	132,397	86,058	867.0	Residential
May 2018	Shenzhen, Guangdong	100%	34,129	160,970	2,068.0	Commercial and Residential
May 2018	Shaoxing, Zhejiang	36%	61,234	16,658	112.1	Residential
May 2018	Bazhou, Hebei	51%	36,576	27,981	133.8	Residential
May 2018	Gu'an, Hebei	49%	32,484	23,876	87.7	Residential
June 2018	Ningbo, Zhejiang	30%	15,086	11,621	82.4	Commercial and Residential
June 2018	Pengzhou, Sichuan	100%	104,964	278,191	267.7	Residential
June 2018	Suzhou, Jiangsu	100%	31,666	37,999	213.6	Residential
June 2018	Yangjiang, Guangdong	100%	39,063	60,553	168.7	Residential
June 2018	Shanghai	75%	44,590	60,196	398.1	Social housing
June 2018	Yangjiang, Guangdong	100%	39,389	98,472	251.7	Residential
June 2018	Hengyang, Hunan	51%	50,054	81,944	225.4	Residential
June 2018	Dalian, Liaoning	100%	41,150	105,914	232.3	Residential
June 2018	Shenzhen, Guangdong	72%	5,992	36,400	316.0	Commercial and Residential
July 2018	Chengdu, Sichuan	100%	3,286	26,290	183.2	Commercial and Residential
July 2018	Changsha, Hunan	100%	14,324	221,603	1,000.0	Commercial
July 2018	Ezhou, Hubei	35%	103,176	98,584	308.9	Residential
August 2018	Chengdu, Sichuan	51%	34,088	34,769	442.6	Residential
August 2018	Zhuhai, Guangdong	100%	21,969	73,816	686.5	Residential
August 2018	Foshan,Guangdong	35%	13,828	19,360	66.5	Commercial
August 2018	Xinxiang, Henan	100%	23,165	81,077	221.0	Residential
August 2018	Zhongshan, Guangdong	100%	25,848	64,619	382.7	Residential
August 2018	Zhongshan, Guangdong	100%	25,492	63,728	370.4	Residential
August 2018	Huizhou, Guangdong	100%	22,201	71,043	230.0	Residential
September 2018	Suizhong, Liaoning	100%	307,293	733,463	530.3	Residential
September 2018	Chongqing	100%	77,522	226,927	330.0	Residential
October 2018	Sanya, Hainan	60%	42,585	25,551	271.1	Commercial and Services
December 2018	Sanya, Hainan	100%	36,943	44,332	500.0	Residential
December 2018	Changsha, Hunan	60%	50,161	170,273	595.7	Commercial
December 2018	Guangzhou, Guangdong	55%	179,000	279,208	4,235.0	Residential
			1,649,655	**3,321,475**	**15,778**	

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations, (vi) water-way passenger and cargo transportation and (vii) others. Revenue increased by 18.1% to approximately RMB38,705.0 million in 2018 from approximately RMB32,779.3 million in 2017. 93.2% of the Group's revenue was generated from the sales of properties (2017: 95.2%) and 6.8% from other segments (2017: 4.8%).

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of properties

Revenue from sales of properties increased by approximately RMB4,874.5 million, or 15.6%, to approximately RMB36,080.6 million in 2018 from approximately RMB31,206.1 million in 2017. The increase was primarily attributable to an increase in the average selling price per sq. m. from approximately RMB13,923 in 2017 to approximately RMB17,209 in 2018 partially offset by a decrease in the total delivered GFA from approximately 2,241,286 sq. m. in 2017 to approximately 2,096,568 sq. m. in 2018.

Rental income

Rental income increased by approximately RMB29.0 million, or 11.6%, to approximately RMB278.6 million in 2018 from approximately RMB249.6 million in 2017.

Property management

Revenue from property management services increased by approximately RMB200.4 million, or 63.4%, to approximately RMB516.2 million in 2018 from approximately RMB315.9 million in 2017. This increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB87.3 million, or 53.7% to approximately RMB249.9 million in 2018 from approximately RMB162.6 million in 2017. This increase was mainly attributable to the commencement of operation of new hotels towards the end of 2017.

Cinema, department store and cultural centre operations

Revenue from cinema, department store and cultural centre operations increased by approximately RMB255.6 million, or 108.6%, to approximately RMB491.1 million in 2018 from approximately RMB235.6 million in 2017. The increase was primarily attributable to the business expansion in this segment.

Water-way passenger and cargo transportation

Revenue from water-way passenger and cargo transportation increased by approximately RMB274.1 million, or 51.1%, to approximately RMB810.6 million in 2018 from approximately RMB536.5 million in 2017. The increase was primarily attributable to the business expansion in this segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

As a result of the foregoing, the Group's gross profit increased by approximately RMB2,194.5 million, or 24.6%, to approximately RMB11,128.8 million in 2018 from approximately RMB8,934.2 million in 2017. The Group's gross profit margin increased to 28.8% in 2018 from 27.3% in 2017. The increase in gross profit margin was primarily attributable to a higher level of selling price attained in general for the properties completed and delivered to the purchasers during the year.

Other losses – net

The Group had net other losses of approximately RMB638.7 million in 2018, as compared to net other losses of approximately RMB123.5 million in 2017. The Group's net other losses in 2018 mainly comprised provision for expected credit loss of approximately RMB529.3 million, net fair value loss on financial assets at fair value through profit or loss of approximately RMB271.3 million, impairment loss on interest in an associate of approximately RMB658.7 million and write-down of completed properties held for sale and properties under development of approximately RMB220.2 million and offset by government subsidy income of approximately RMB438.6 million, waiver of other payables of approximately RMB406.3 million and net gain on repurchase of senior notes of approximately RMB142.7 million.

Net gain on deemed disposals of subsidiaries

The Group had recorded net gain on deemed disposals of subsidiaries of approximately RMB2,912.6 million in 2018.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB366.5 million, or 40.9%, to approximately RMB1,262.5 million in 2018 from approximately RMB896.0 million in 2017. The increase in selling and marketing costs was in line with the increase in the Group's contracted sales for the year ended 31 December 2018.

Administrative expenses

The Group's administrative expenses increased by approximately RMB99.8 million, or 4.0%, to approximately RMB2,601.1 million in 2018 from approximately RMB2,501.2 million in 2017.

Fair value gain on investment properties

The fair value gain on the Group's investment properties was approximately RMB212.4 million in 2018 and approximately RMB2,088.8 million in 2017. In 2017, more properties were transferred to investment properties and significant increase in fair value was resulted, while there was less properties were transferred to investment properties during the year and led to the decrease in the Group's fair value gain on investment properties in 2018.

Fair value loss of financial derivatives

The Group recorded a loss arising from the changes in fair value of financial derivatives of approximately RMB969.2 million in 2017. The financial derivatives were derecognised in 2017 as a result of conversion of convertible bonds.

Loss on step acquisition of a subsidiary

The Group's loss on step acquisition of a subsidiary represented the acquisition of additional equity interest in Kaisa Health Group Holdings Limited through the completion of right issue of Kaisa Health Group Holdings Limited, which led to a loss on re-measurement of pre-existing interest in Kaisa Health Group Limited to the fair value at the acquisition date amounting to approximately RMB146.3 million for the year ended 31 December 2017. Prior to becoming a subsidiary of the Group, Kaisa Health Group Limited was an associate of the Group.

Finance (costs)/income – net

The Group recorded net finance costs of approximately RMB2,170.8 million in 2018, compared to net finance income of approximately RMB247.8 million in 2017. The change was mainly due to the net exchange losses of approximately RMB1,524.3 million whereas the net exchange gains of approximately of RMB1,300.3 million was recorded in last year. The net exchange losses/gains mainly arised from the U.S. dollar denominated offshore financing as a result of the depreciation/appreciation of Renminbi against the U.S. dollar.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

The Group's income tax expenses increased by approximately RMB855.0 million, or approximately 23.6%, to approximately RMB4,477.6 million in 2018 from approximately RMB3,622.6 million in 2017. The increase was primarily attributable to the increase in operating profit in 2018.

Profit for the year and total comprehensive income for the year

As a result of the foregoing, the Group's profit for the year and total comprehensive income for the year amounted to approximately RMB3,294.3 million and approximately RMB3,300.9 million, respectively. (2017: profit for the year and total comprehensive income for the year amounted to approximately RMB3,043.8 million and RMB3,037.5 million, respectively).

Liquidity, financial and capital resources

Cash position

As at 31 December 2018, the carrying amount of the Group's cash and bank deposits was approximately RMB22,924.1 million (31 December 2017: approximately RMB21,170.2 million), representing an increase of 8.3% as compared to that as at 31 December 2017. Certain property development companies of the Group placed a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as at 31 December 2018, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collateral amounted to approximately RMB6,792.3 million as at 31 December 2018 (31 December 2017: approximately RMB7,939.6 million).

Senior notes

During the year, the Group issued a principal amount of US$330.0 million additional 2020 Notes in May 2018, a principal amount of US$250.0 million additional 2021 Notes in November 2018 and a principal amount of US$300.0 million 2019 Notes in December 2018. In May and June of 2018, the Group made on-market repurchases of a principal amount of US$108.0 million of the 2022 Notes and a principal amount of US$67.5 million of the 2024 Notes. The repurchased Notes were cancelled accordingly. In December 2018, the Group had made a redemption of HK$1,163.0 million 2019 Notes. As of 31 December 2018, the senior notes included:

	2019 Notes HK$'000	2019 Notes US$'000	2020 Notes US$'000	2021 Notes US$'000	2022 Notes US$'000	2024 Notes US$'000
At 1 January 2018	2,325,000	–	460,000	325,000	1,255,000	3,119,000
New Issuance	–	300,000	330,000	250,000	–	–
Redemption	(1,163,000)	–	–	–	–	–
Cancellation	–	–	–	–	(108,000)	(67,500)
At 31 December 2018	1,162,000	300,000	790,000	575,000	1,147,000	3,051,500

Convertible Bonds

On 28 December 2018, the Group has entered into a placing agency and subscription agreement pursuant to which the Group has engaged the placing agent as with the placement for the convertible bonds in an aggregate principal amount of US$100 million (equivalent to approximately HK$783 million) (the "Convertible Bonds").

The Convertible Bonds may be converted into conversion shares pursuant to the terms and conditions of the Convertible Bonds. Based on the initial conversion price of HK$5.00 per share and assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 156,600,000 new shares, representing (i) approximately 2.58% of the existing issued ordinary share capital of the Company as at 28 December 2018; and (ii) approximately 2.51% of the ordinary share capital of the Company, as enlarged by the allotment and issue of the conversion shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and charges on the Group's assets

As at 31 December 2018, the Group had aggregate borrowings of approximately RMB108,766.0 million, of which approximately RMB16,965.7 million will be repayable within 1 year, approximately RMB34,502.6 million will be repayable between 1 and 2 years, approximately RMB33,019.1 million will be repayable between 2 and 5 years and approximately RMB24,278.6 million will be repayable over 5 years.

As at 31 December 2018, the Senior Notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key financial ratios

As at 31 December 2018, the Group had a leverage ratio (i.e. its net debts (total borrowings net of cash and bank balances, long-term and short-term bank deposit, and restricted cash) over total assets) of 37.5% (31 December 2017: 42.2%). The Group's net current assets decreased by 4.6% from approximately RMB69,956.0 million as at 31 December 2017 to approximately RMB66,703.1 million as at 31 December 2018, the quick ratio increased to 1.3 times as at 31 December 2018 from 1.0 times as at 31 December 2017, and the current ratio decreased to 1.7 times as at 31 December 2018 as compared to 1.8 times as at 31 December 2017.

Cost of borrowings

During the year ended 31 December 2018, the Group's total cost of borrowings (including net exchange gains/losses) was approximately RMB10,541.7 million, representing an increase of approximately RMB3,865.4 million or 57.9% as compared to the corresponding period in 2017. The increase was primarily attributable to the increase in total interest expense and the net exchange losses recorded in the year.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 31 December 2018, the Group had cash and bank balances denominated in US$ of approximately RMB262.6 million, in HK$ of approximately RMB250.4 million, and the Senior Notes in US$ and HK$ with an aggregate carrying amount of approximately RMB38,708.9 million and approximately RMB1,017.9 million respectively, and offshore banking and other facilities denominated in US$, of approximately RMB1,953.1 million, which are subject to foreign currency exposure.

The Group does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Financial guarantees

As at 31 December 2018, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB30,587.4 million (31 December 2017: approximately RMB30,094.9 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Employees and remuneration policy

As at 31 December 2018, the Group had approximately 14,200 employees (31 December 2017: approximately 12,810 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2018 amounted to approximately RMB1,841.2 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 22 November 2009. Further information of share option scheme has been set out in the annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

Risks pertaining to the property market in the PRC

The Group's business and revenue growth is dependent on favourable economic conditions in the PRC, particularly the performance of the PRC residential property market in the cities in which the Group develops its property development projects, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where the Group has operations, could have a material adverse effect on its business, results of operations and financial condition.

Operational Risks

The Group's operations are subject to a number of risk factors distinctive to the property related businesses. Shortages of materials, equipment and skilled labour, labour disputes, default on the part of its buyers, contractors and strategic business partners, natural catastrophes, adverse weather conditions, inadequacies or failures of internal processes or other external factors may have various levels of negative impact on the results of the Group's operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to the Group's financial loss, litigation, or damage in reputation.

Further, property development is capital intensive in nature. The Group has financed its property development projects primarily through proceeds from sales of properties and bank borrowings. It may also access the capital markets to raise further financing. Its ability to obtain external financing in the future is subject to a variety of uncertainties, including the condition of the international and domestic financial markets and financing availability and general economic conditions in the PRC. If the Group fails to secure adequate financing or renew its existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on the business, results of operations and financial condition of the Group.

Legal Risk

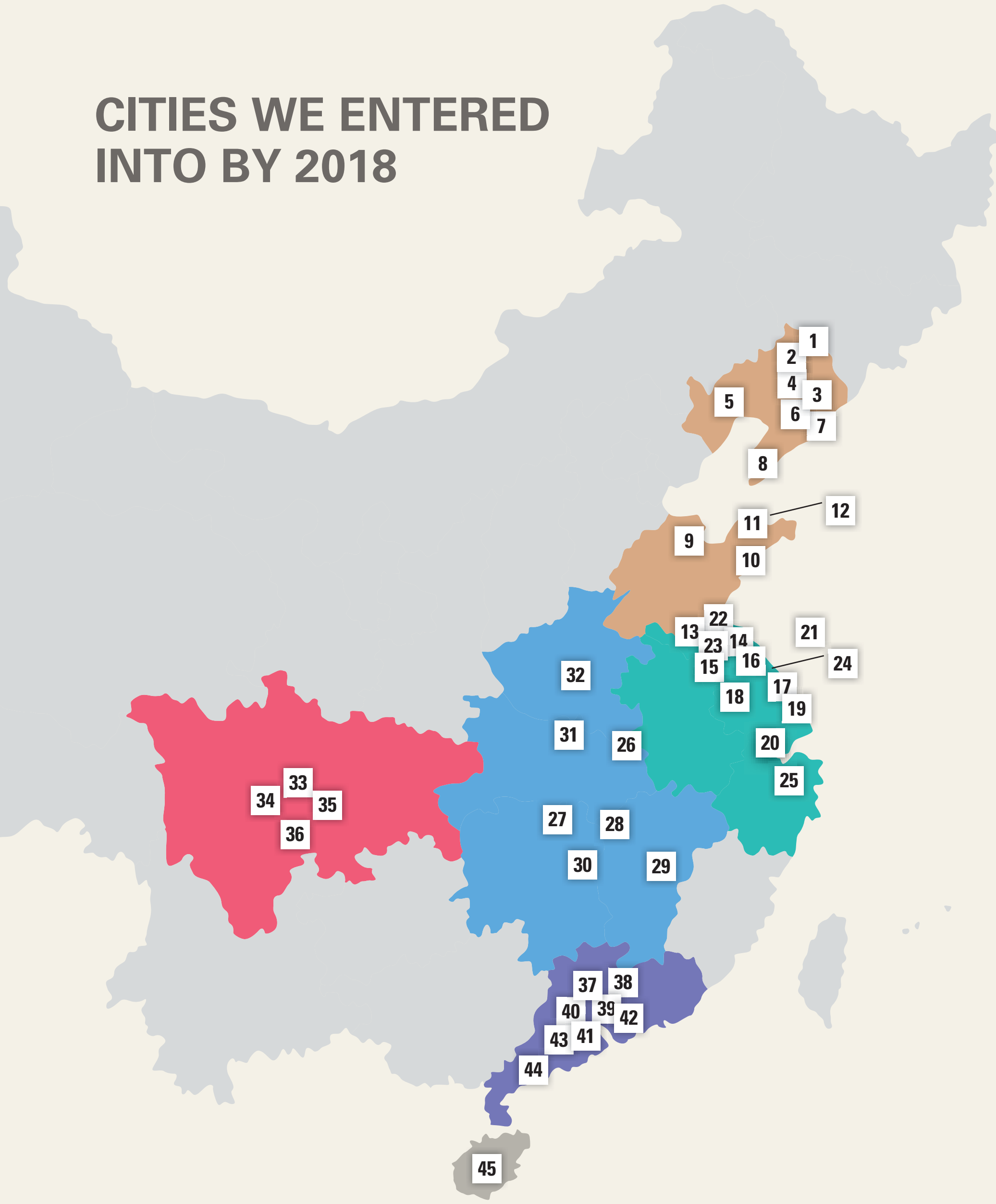
The Company underwent onshore and offshore restructuring exercise and breached the relevant Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as set out in the section headed "Other non-compliances with the Listing Rules" in this report as a result of the prolonged Suspension and therefore may be subject to legal actions, disputes, disciplinary actions and regulatory investigations, which may disrupt or otherwise negatively affect the operations, financial conditions or reputation of the Group. For details of the remedial actions in respect of those breaches, please refer to the section headed "Other non-compliances with the Listing Rules" in the corporate governance report.

Financial Risk

The financial risk management of the Group are set out in note 4 to the consolidated financial statements of the Company.

PROJECT PORTFOLIO — SUMMARY

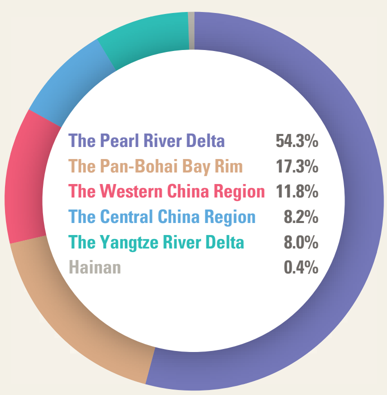
CITIES WE ENTERED INTO BY 2018



1 SHENYANG
2 ANSHAN
3 BENXI
4 LIAOYANG
5 HULUDAO
6 YINGKOU
7 DANDONG
8 DALIAN
9 WEIFANG
10 QINGDAO
11 GU'AN
12 BAZHOU
13 TAIZHOU
14 JIANGYIN
15 CHANGZHOU
16 TAICANG
17 SUZHOU
18 NANJING
19 SHANGHAI
20 HANGZHOU
21 ZHANGJIAGANG
22 JIAXING
23 SHAOXING
24 XUZHOU
25 NINGBO
26 WUHAN
27 CHANGSHA
28 EZHOU
29 HENGYANG
30 ZHUZHOU
31 XINZHENG
32 XINXIANG
33 NANCHONG
34 CHENGDU
35 CHONGQING
36 PENGZHOU
37 GUANGZHOU
38 HUIZHOU
39 DONGGUAN
40 FOSHAN
41 ZHUHAI
42 SHENZHEN
43 ZHONGSHAN
44 YANGJIANG
45 SANYA

Total GFA of approximately

24 million sq. m.



PROJECT PORTFOLIO — SUMMARY

We have accumulated substantial experience in developing 152 projects. The map below shows the geographical coverage of our property development projects as at 31 December 2018.

THE PAN-BOHAI BAY RIM – SHENYANG, YINGKOU, ANSHAN, BENXI, HULUDAO, WEIFANG, QINGDAO, LIAOYANG, DANDONG, DALIAN, BAZHOU, GU'AN

Shenyang Kaisa Center, Shenyang Kaisa Yuefeng, Yingkou Dragon Bay, Yingkou Monarch Residence, Anshan Monarch Residence, Anshan Kaisa Plaza, Benxi Lake View Place, Huludao Suizhong Kaisa Dongdaihe, Weifang Kaisa Golden World, Qingdao Kaisa Lake View Place, Liaoyang Hot Spring Resort Project, Dandong Kaisa Mansion No. 1, Dalian Kaisa Center, Dalian Kaisa Plaza, Dalian Kaisa No.1, Bazhou Kaisa Peakcock City Yuefeng, Gu'an Niutuo Tianci Project

THE YANGTZE RIVER DELTA – JIANGYIN, CHANGZHOU, TAIZHOU, SHANGHAI, TAICANG, HANGZHOU, SUZHOU, NINGBO, NANJING, SHAOXING, XUZHOU, JIAXING, ZHANGJIAGANG

Jiangyin Lake View Place, Jiangyin Gushan Mocha Town, Jiangyin Kaisa Plaza, Jiangyin Zhouzhuang Golden World, Jiangyin Changjing Lake View Waldorf, Jiangyin Tonghui Garden, Jiangyin Fuqiao Homeland, Changzhou Phoenix Lake No.1, Taizhou Kaisa Mansion No.1, Shanghai Shanhuwan Garden, Shanghai Shangpin Garden, Shanghai Kaisa Mansion No. 8, Shanghai Kaisa City Plaza, Shanghai Kaisa Mansion, Shanghai Kaisa Monarch Residence, Shanghai Kaisa City Garden, Shanghai Shangpin Jiayuan, Taicang Lake View Waldorf, Hangzhou Jade Dragon Court, Hangzhou Kaisa Monarch Residence, Hangzhou Puyu Court, Hangzhou Fuyang Yinhu Project, Suzhou Kaisa Plaza, Suzhou Kaisa Monarch Residence, Suzhou Kaisa Yufeng, Ningbo Kaisa Dongchenyipin, Nanjing Kaisa City Plaza, Nanjing Kaisa Sky Mansion, Shaoxing Kaisa Monarch Residence, Shaoxing Kaisa Guoyue Mansion, Xuzhou Thriving Spring Villa, Jiaxing Xitang Project, Zhangjiagang Fengming Riverside

THE WESTERN CHINA REGION – CHENGDU, NANCHONG, CHONGQING, PENGZHOU

Chengdu Kaisa Monarch Residence, Chengdu Lijing Harbour, Chengdu Modern Town, Chengdu Kaisa Mansion No. 8, Chengdu Kaisa City Plaza, Chengdu Kaisa Leading Town, Chengdu Kaisa Yuefu, Chengdu Kaisa Imperial Jade, Chengdu Kaisa Tianyue Mansion, Nanchong Kaisa Plaza, Nanchong Monarch Residence, Chongqing Kaisa Plaza, Chongqing Kaisa Bright Harbour, Chongqing Shaba Jingkou Project, Chongqing Kaisa Zhuanshan Fortune Garden, Pengzhou Kaisa Golden Metro.

THE CENTRAL CHINA REGION – CHANGSHA, ZHUZHOU, WUHAN, HENGYANG, EZHOU, XINXIANG, XINZHENG

Changsha Lake View Place, Changsha Kaisa Times Square, Changsha Meixi Lake Project, Changsha Kaisa Plaza, Changsha Gaotie New Town Project, Zhuzhou Golden World, Wuhan Golden World, Wuhan Kaisa Mansion No.1, Wuhan Kaisa Plaza, Wuhan Kaisa Yuefu, Hengyang Kaisa Yuefeng, Ezhou Kaisa Zhongliang the One Mansion, Xinxiang Kaisa Yuefeng, Xinzheng Kaisa Yuefeng.

THE PEARL RIVER DELTA – SHENZHEN, GUANGZHOU, FOSHAN, HUIZHOU, DONGGUAN, ZHUHAI, ZHONGSHAN, YANGJIANG

Shenzhen Woodland Height, Shenzhen Mocha Town, Shenzhen Kaisa Center, Shenzhen Lake View Place, Shenzhen Xiangrui Garden, Shenzhen Mingcui Garden, Shenzhen Jincui Garden, Shenzhen Shangpin Garden, Shenzhen Kaisa Financial Center, Shenzhen Metro City, Shenzhen Kaisa City Plaza, Shenzhen Kaisa Metropolitan Homeland, Shenzhen Dapeng Kaisa Peninsula Resort, Shenzhen Kaisa Yuefeng Garden, Shenzhen Yantian City Plaza, Shenzhen Kaisa Golden Bay International Park, Shenzhen Marriot Hotel Golden Bay, Shenzhen Kaisa Qianhai Plaza, Shenzhen Pinghu Kaisa Plaza, Shenzhen Kaisa Future City, Shenzhen Nan'ao Project, Shenzhen Dongmendao Project, Shenzhen Kaisa E Cude, Shenzhen Inno Park, Shenzhen Inno City, Guangzhou Kaisa Plaza, Guangzhou Monarch Residence, Guangzhou Kaisa Mansion No. 1, Guangzhou Kaisa Sky Villa, Guangzhou Kaisa Sky Mansion, Guangzhou Kaisa City Plaza, Guangzhou Kaisa Future City, Guangzhou Kaisa Nantian Project, Guangzhou Kaisa Sky Bright, Guangzhou Kaisa Sky Pride, Guangzhou Xiaoping Village Project, Foshan Shunde Kaisa Mocha Town, Foshan Shunde Kaisa Shangpin Garden, Foshan Shunde Kaisa Golden World, Foshan Kaisa Metro City, Foshan Kaisa E Cube, Foshan Lishui Project, Dongguan Zhongyang Haomen, Dongguan Dongjiang Haomen, Dongguan Shui'an Haomen, Dongguan Dijingwan, Dongguan Le Grand Bleu, Dongguan Oasis Town, Dongguan Yulongshan Garden, Dongguan Shilong Project, Dongguan Riverside Woods Palace, Dongguan Riverside Hillview Palace, Huizhou Kaisa Mansion No. 1, Huizhou Kaisa Center, Huizhou Yuanzhou Project, Huizhou Riverbank New Town, Huizhou Kaisa Mountain Bay, Huizhou Kaisa Times Mocha Town, Huizhou Kaisa Dong River Garden, Huizhou Longmen Longquan Dajing, Huizhou Kaisa Monarch Residence, Zhuhai Lake View Waldorf Garden, Zhuhai Golden World, Zhuhai Kaisa Monarch Residence, Zhuhai Kaisa Yuefeng Garden, Zhongshan Kaisa Xiangshan Royal Palace, Zhongshan Kaisa Shangpin Garden, Zhongshan Kaisa Metro City, Zhongshan Kaisa Fortune Garden, Yangjiang Kaisa Riverside No.1

HAINAN – SANYA

Sanya Nantian Project, Sanya Haitang Bay Project

PROJECT PORTFOLIO — SUMMARY

PROJECT PORTFOLIO – AS AT 31 DECEMBER 2018

No.	Projects	Address	Location	Type[1]
The Pearl River Delta				
1	Shenzhen Woodland Height	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District	Shenzhen	Residential
2	Shenzhen Mocha Town	Busha Road, Longgang District	Shenzhen	Residential
3	Shenzhen Kaisa Center [2]	East of Shangbu Nan Road and North of Nanyuan Road, Futian District	Shenzhen	Residential
4	Shenzhen Lake View Place	Juction of Xincheng Road and Pingxi Road,Longgang Distric	Shenzhen	Residential
5	Shenzhen Xiangrui Garden	North of Beihuan Highway, Nanashan District	Shenzhen	Residential
6	Shenzhen Mingcui Garden	Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District	Shenzhen	Residential
7	Shenzhen Jincui Garden	Cuizhu Road, Luohu District	Shenzhen	Residential
8	Shenzhen Shangpin Garden	Bantian Community, Bantian Street, Longgang District	Shenzhen	Residential
9	Shenzhen Kaisa Financial Center	Shennan Avenue, Futian District	Shenzhen	Commercial
10	Shenzhen Metro City [2]	Buji Station, Shenhui Road, Nanmendun, Buji Town, Longgang District	Shenzhen	Residential
11	Shenzhen Kaisa City Plaza	Banxuegang Avenue, Longgang District	Shenzhen	Residential
12	Shenzhen Kaisa Metropolitan Homeland [2]	Mumianwan Station, Longgang Avenue, Buji, Longgang District	Shenzhen	Residential
13	Shenzhen Dapeng Kaisa Peninsula Resort	Yingbin Avenue, Dapeng District	Shenzhen	Commercial
14	Shenzhen Kaisa Yuefeng Garden	Bulong Road, Bantian, Longgang District	Shenzhen	Residential
15	Shenzhen Yantian City Plaza	Mingzhu Avenue,Yantian District	Shenzhen	Residential
16	Shenzhen Kaisa Golden Bay International Park	Xiasha Community, Dapeng Street, Dapeng New District	Shenzhen	Commercial
17	Shenzhen Marriott Hotel Golden Bay	No.8 Jinsha Road, Xiasha Community, Dapeng New District	Shenzhen	Commercial
18	Shenzhen Kaisa Qianhai Plaza	Junction of Yueliangwan Avenue and Mianshan Road, Nanshan District	Shenzhen	Residential
19	Shenzhen Pinghu Kaisa Plaza [3]	Junction of Shouzhen Street and Pinghu Avenue, Pinghu Street, Longgang District	Shenzhen	Residential
20	Shenzhen Kaisa Future City	Junction of Ruyi Road and Dayun Road, Longcheng Street, Longgang District	Shenzhen	Residential
21	Shenzhen Nan'ao Project	Shuitousha Beach, Nan'ao Street, Dapeng District	Shenzhen	Commercial
22	Shenzhen Dongmendao Project [2]	Dongmen Street, Luohu District	Shenzhen	Commercial & Residential
23	Shenzhen Kaisa E Cube	Huanguan Nan Road and Guantian Road, Guanlan Street, Longhua Distrct	Shenzhen	Commercial & Residential
24	Shenzhen Inno Park	West Wing of High-tech Industrial Park, Guangming District	Shenzhen	Industrial
25	Shenzhen Inno City	East of Nantai Road, Xixiang Street, Bao'an District	Shenzhen	Industrial
26	Guangzhou Kaisa Plaza [2]	No.191 Tiyu West Road, Tianhe District	Guangzhou	Commercial
27	Guangzhou Monarch Residence	No.99 Jiangnan Avenue Central, Haizhu District	Guangzhou	Residential
28	Guangzhou Kaisa Mansion No.1	No.505 Huangpu Avenue, Financial Center, Tianhe District	Guangzhou	Residential
29	Guangzhou Sky Villa	Tongbao Road, Guangzhou Avenue North, Baiyun District	Guangzhou	Residential
30	Guangzhou Sky Mansion	Lot No.20, Meihua Garden, Shatai Road, Baiyun District	Guangzhou	Residential
31	Guangzhou Kaisa City Plaza	Lot No.49, Nangang, Yunpu Industrial Zone, Huangpu District	Guangzhou	Residential
32	Guangzhou Kaisa Future City	No.3889 Huangpu Avenue East, Huangpu District	Guangzhou	Commercial
33	Guangzhou Nantian Project	East of Beihao Chong, North West to the Luoxi Bridge, Haizhu District	Guangzhou	Commercial
34	Guangzhou Kaisa Sky Bright	No.151 Xiaogang Road, Haizhu District	Guangzhou	Residential
35	Guangzhou Kaisa Sky Pride	No.71 Beizhan Road, Yuexiu District	Guangzhou	Residential
36	Guangzhou Xiaoping Village Project [4]	West of Baiyun New Town, South of Huangshi W Road, and East of Shicha Road, Baiyun District	Guangzhou	Residential
37	Foshan Shunde Kaisa Mocha Town	Lot No.1, South of the Central District, Xingtan Town, Shunde District	Foshan	Residential
38	Foshan Shunde Kaisa Shangpin Garden	Linshang North Road, Beijiao New Town, Shunde District	Foshan	Residential
39	Foshan Shunde Kaisa Golden World	West of Waihuan Road, Ronggui Town, Shunde Diistrict	Foshan	Residential
40	Foshan Kaisa Metro City	No.169 Guangfo Road, Huangqi Town, Nanhai District	Foshan	Commercial
41	Foshan Kaisa E Cube	No. 97 Yanbu Huanzhen North road, Dali Town, Nanhai District	Foshan	Commercial
42	Foshan Lishui Project [3]	Junction of Liguang road and Foshan First Ring road, Lishui Town, Nanhai District	Foshan	Commercial
43	Dongguan Zhongyang Haomen	Longsheng Road, Xincheng District, Shilong Town	Dongguan	Residential
44	Dongguan Dongjiang Haomen	South of Dongjiang Road, Yangwu Village and Qishi Village, Qishi Town	Dongguan	Residential
45	Dongguan Shui'an Haomen	Fenggang Town, Fengshen Avenue	Dongguan	Residential
46	Dongguan Dijingwan	Jinshawan Square, Xincheng District, Shilong Town	Dongguan	Residential
47	Dongguan Le Grand Bleu	Xinwei Village Group, Qisha Village, Shatian Town	Dongguan	Residential
48	Dongguan Oasis Town	Xiping Community, Junction of Huancheng Road and Green Road, Nancheng District	Dongguan	Residential
49	Dongguan Yulongshan Garden	Jinzhou Community, Humen Town	Dongguan	Residential
50	Dongguan Shilong Project [3]	Junction of Jiangnan Middle Road and Xihu no.1 road, Xihu District, Shilong Town	Dongguan	Residential
51	Dongguan Riverside Woods Palace [3]	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential
52	Dongguan Riverside Hillview Palace [3]	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential
53	Huizhou Kaisa Mansion No.1	Gutang'ao Miaozaikeng	Huizhou	Residential
54	Huizhou Kaisa Center	No.18 Subdistrict, Jiangbei, Huicheng District	Huizhou	Commercial
55	Huizhou Yuanzhou Project [4]	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Buluo County	Huizhou	Residential
56	Huizhou Riverbank New Town	Cui Mei countryside Committee, Hengkeng, Luoyang Town, Boluo County	Huizhou	Residential
57	Huizhou Kaisa Mountain Bay	Huangbujiao, Lianfeng Village, Renshan Town, Huidong County	Huizhou	Residential
58	Huizhou Kaisa Times Mocha Town	Junction of Zhongkai Avenue and Jinbang Road, Huicheng District	Huizhou	Residential
59	Huizhou Kaisa Dong River Garden	Jiangnanxincheng, Luoyang Town, Boluo County	Huizhou	Residential
60	Huizhou Longmen Longquan Dajing [3]	Laiwu Village, Longtian Town, Longmen County	Huizhou	Residential
61	Huizhou Kaisa Monarch Residence [3]	Junction of Huifeng West second Road Hechang West Fifth Road,Huicheng District	Huizhou	Residential
62	Zhuhai Lake View Waldorf Garden [3]	Shangsha Street, Wanzai, Xiangzhou District	Zhuhai	Residential
63	Zhuhai Golden World	Huangyang North Avenue, Wangbao Reservoir, Jintai Temple, Doumen Town, Doumen District	Zhuhai	Residential
64	Zhuhai Kaisa Monarch Residence	North of Zhufeng Avenue, Qianwu Town, Doumen District	Zhuhai	Residential
65	Zhuhai Kaisa Yuefeng Garden	East of Xiewei village and South of Golden coast road, Sanzao Town, Jinwan District	Zhuhai	Residential

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA: Completed Properties (sq. m.)	Total GFA: Under Development (sq. m.)	Total GFA: Future Development (sq. m.)	Interest attributable to us
1-8	160,514	580,135	580,135	–	–	100%
1-7	185,724	735,299	735,299	–	–	100%
–	5,966	98,241	98,241	–	–	100%
1-5	182,064	388,626	388,626	–	–	100%
–	57,984	143,796	143,796	–	–	100%
1-4	102,439	394,663	394,663	–	–	100%
–	9,066	105,830	105,830	–	–	100%
–	45,829	231,572	231,572	–	–	100%
1	14,411	142,000	–	142,000	–	100%
1-4	5,241	124,479	124,479	–	–	100%
1-4	179,642	1,084,854	825,271	259,583	–	100%
1-4	19,393	138,892	138,892	–	–	100%
1-2	48,256	186,466	186,466	–	–	100%
1-2	47,890	165,455	165,455	–	–	100%
1-3	170,311	694,042	100,211	225,635	368,196	100%
1-4	869,838	516,400	–	333,910	182,490	51%
1	34,449	77,834	77,834	–	–	100%
1-2	49,582	295,749	295,749	–	–	51%
1-2	168,430	475,000	–	333,500	141,500	100%
1-2	48,773	279,003	–	192,437	86,566	80%
1	25,966	51,930	–	–	51,930	100%
1	5,992	50,556	–	–	50,556	72%
1	34,129	160,970	–	160,970	–	100%
1	103,739	269,159	–	269,159	–	24%
2	44,731	268,380	–	–	268,380	24%
1-9	14,192	233,322	233,322	–	–	100%
–	7,707	56,666	56,666	–	–	100%
1	15,178	86,138	–	86,138	–	49%
1-2	65,627	230,577	–	230,577	–	49%
–	19,671	80,854	80,854	–	–	49%
1-4	190,742	776,318	333,178	443,140	–	49%
1-3	321,261	547,995	370,358	–	177,637	49%
1-3	78,644	315,343	–	–	315,343	70%
1	3,038	16,182	–	–	16,182	100%
1	7,759	29,383	–	–	29,383	100%
3	179,000	507,650	–	–	507,650	55%
1-5	71,200	234,422	234,422	–	–	100%
1-4	32,819	98,021	98,021	–	–	100%
1-9	197,584	645,921	643,202	–	2,719	49%
–	14,406	101,398	–	–	101,398	49%
–	15,271	61,082	–	–	61,082	100%
–	13,828	55,313	–	–	55,313	35%
–	82,742	377,481	377,481	–	–	100%
1	86,324	243,296	243,296	–	–	100%
1	70,734	200,386	200,386	–	–	80%
1-2	46,474	155,432	155,432	–	–	100%
1-4	239,050	717,084	360,281	356,803	–	100%
1-4	65,021	150,772	150,772	–	–	100%
1-2	33,910	109,180	109,180	–	–	100%
–	5,567	10,131	–	–	10,131	100%
–	62,802	155,693	–	–	155,693	85%
–	64,743	202,294	–	–	202,294	90%
1-10	89,998	260,577	260,577	–	–	100%
1-3	70,859	722,945	722,945	–	–	100%
–	20,400	61,200	–	–	61,200	100%
1-13	1,663,969	4,326,239	1,078,406	915,654	2,332,179	100%
1-3	169,331	361,653	–	120,147	241,506	100%
1-5	289,186	641,781	–	195,313	446,468	51%
1-4	176,724	441,810	–	–	441,810	100%
1-4	387,335	630,000	–	–	630,000	70%
–	22,201	71,043	–	–	71,043	100%
1-4	164,354	550,431	207,488	157,929	185,014	100%
1-4	192,710	316,037	166,728	149,309	–	100%
–	16,088	28,958	–	28,958	–	100%
1	21,970	73,816	–	73,816	–	100%

PROJECT PORTFOLIO — SUMMARY

No.	Projects	Address	Location	Type[1]
66	Zhongshan Kaisa Xiangshan Royal Palace	No.3 Jinzhong Road, Jinzhong Village, Banfu Town	Zhongshan	Residential
67	Zhongshan Kaisa Shangpin Garden	No.1 Nanhu Road, Nanlang Town	Zhongshan	Residential
68	Zhongshan Kaisa Metro City	Junction of Xingbao Road and Yunsheng Road, Shaxi Town	Zhongshan	Residential
69	Zhongshan Kaisa Fortune Garden [3]	No. 68 Guangfu Avenue, Dongsheng Town	Zhongshan	Residential
70	Yangjiang Kaisa Riverside No. 1	Next to Longtang Road, Yangdong District	Yangjiang	Residential
The West China Region				
71	Chengdu Kaisa Monarch Residence	Erjiangsi Village, Huayang Town, Shuangliu County	Chengdu	Residential
72	Chengdu Lijing Harbour	Group 1 and 2, Huafeng Village, Yongquan Street, Wenjiang District	Chengdu	Residential
73	Chengdu Modern Town	Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County	Chengdu	Commercial
74	Chengdu Kaisa Mansion No.8	South Sanzhiqu Area, Dongsheng Street, Shuangliu County	Chengdu	Residential
75	Chengdu Kaisa City Plaza	Group 1 and 2, Machang Village, Wenjia Street Office, Qingyang District	Chengdu	Residential
76	Chengdu Kaisa Leading Town	Group 6 and 7, Taiji Community, Gongping Street Office, Wenjiang District	Chengdu	Residential
77	Chengdu Kaisa Yuefu	Junction of Fengxiang Avenue and Fenghuang Avenue, Qingbaijiang District	Chengdu	Residential
78	Chengdu Kaisa Imperial Jade	No. 977, south of the Fengxi Avenue, Wenjiang District	Chengdu	Residential
79	Chengdu Kaisa Tianyue Mansion	No. 64 Jinxing Road, Jinjiang District	Chengdu	Commercial & Residential
80	Pengzhou Kaisa Golden Metro	West of Chengde Avenue (Beixin Avenue), Mengyang Town	Pengzhou	Residential
81	Nanchong Kaisa Plaza	No.39 Zhengyang East Road, Shunqing District	Nanchong	Residential
82	Nanchong Monarch Residence	No.308 Baituba Road Shunqing District	Nanchong	Residential
83	Chongqing Kaisa Plaza	Longzhouwan Street, Banan District	Chongqing	Residential
84	Chongqing Kaisa Bright Harbour	Baqiao Town, Dadukou District	Chongqing	Residential
85	Chongqing Shaba Jingkou Project	Ertang Village, Jingkou Street, Jingkou Town, Shapingba District	Chongqing	Residential
86	Chongqing Kaisa Zhuanshan Fortune Garden	North end of Changjiang River Bridge, Jiangjin Distric	Chongqing	Residential
The Pan-Bohai Bay Rim				
87	Shenyang Kaisa Center	East of Qingnian Avenue, Shenhe District	Shenyang	Commercial
88	Shenyang Kaisa Yuefeng	Changbai South Road, Heping District	Shenyang	Residential
89	Yingkou Dragon Bay	Junction of Xinxin Road and Bohai Street, Laobian District	Yingkou	Residential
90	Yingkou Monarch Residence	West of Xuefu Road, East of Shifu Road, South of New Donghai Street, Laobian District	Yingkou	Residential
91	Anshan Monarch Residence	South of Ziyou Dong Road, East of Anqian Road, Lishan District	Anshan	Residential
92	Anshan Kaisa Plaza [2]	Renmin Road, Tiexi District	Anshan	Commercial
93	Benxi Lake View Place	Binhe North Road, Mingshan District	Benxi	Residential
94	Huludao Suizhong Kaisa Dongdaihe [3]	South of Binhai Road, Dongdaihe New district, Suizhong County	Huludao	Residential
95	Weifang Kaisa Golden World	North of Bailanghe Reservoir Dam, South of Weijiao Road	Weifang	Residential
96	Qingdao Lake View Place	East of Zhongjianger Read, West of Wangsha Road and South of Baishahe, Xiazhuang Street. Chengyang District	Qingdao	Residential
97	Dandong Kaisa Mansion No.1	South of Huanghai Avenue, Zhenxing District	Dandong	Residential
98	Liaoyang Hot Spring Resort Project	Tanghe Town, Gongchangling District	Liaoyang	Residential
99	Dalian Kaisa Center	Donggang Business District, Zhongshan District	Dalian	Commercial
100	Dalian Kaisa Plaza	No.271 Tianjin Street, Zhongshan District	Dalian	Commercial
101	Dalian Kaisa No. 1	Junction of Zhonggang North Road and Hugang Road, Dalian Free Trade Zone	Dalian	Commercial & Residential
102	Bazhou Kaisa Peacock City Yuefeng	West of Rose Garden Hot Spring Resort, Bazhou County	Bazhou	Residential
103	Gu'an Niutuo Tianci Project	Near Niutuo Hot Spring Peacock City, Niutuo Town, Gu'an County	Gu'an	Residential
The Central China Region				
104	Changsha Lake View Place	Jinping Village, Tiaoma County	Changsha	Residential
105	Changsha Kaisa Times Square	Yingpan East Road, Furong District	Changsha	Residential
106	Changsha Kaisa Plaza	Wuyi Road, Furong Distrct	Changsha	Commercial
107	Changsha Meixi Lake Project	Meixi Lake, Yuelu District	Changsha	Residential
108	Changsha Gaotie New Town Project	Juction of Huahou road and Xiangzhang Road, Gaotie New Town, Yuhua District	Changsha	Commercial
109	Zhuzhou Golden World	Liyu Central Business District, Tianyuan District	Zhuzhou	Residential
110	Hengyang Kaisa Yuefeng	North of Chuanshan West Road, South of Lixin Avenue, West of Cailun Avenue	Hengyang	Residential
111	Wuhan Golden World	Junction of Baisha Road and Qingling East Road, Qingling County, Hongshan District	Wuhan	Residential
112	Wuhan Kaisa Mansion No.1	North of Zhiyin Avenue, West of Yangcheng West Road, Hangyang District	Wuhan	Residential
113	Wuhan Kaisa Plaza	No.336 Wuluo Road, Wuchang District	Wuhan	Residential
114	Wuhan Kaisa Yuefu	North of Jinbei no.1 Road and East of Wuxinganxian,Jinghe Street,Dongxi Lake District	Wuhan	Residential
115	Ezhou Zhongliang Kaisa The One Mansion	West of Yingbin Avenue, Ezhou District	Ezhou	Residential
116	Xinzheng Kaisa Yuefeng	West of Wenhua Road and South of Zhongxing Road	Xinzheng	Residential
117	Xinxiang Kaisa Yuefeng	West of Hongyuan Street and North of Guihua road, Hongqi Distrct	Xinxiang	Residential

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA: Completed Properties (sq. m.)	Total GFA: Under Development (sq. m.)	Total GFA: Future Development (sq. m.)	Interest attributable to us
1	21,061	69,794	–	69,794	–	100%
1	22,307	82,397	–	82,397	–	80%
1-2	61,873	211,608	–	211,608	–	80%
1-2	51,340	128,347	–	–	128,347	100%
1-2	78,452	159,025	–	–	159,025	100%
1-3	182,666	1,041,531	1,041,531	–	–	100%
1	150,071	761,542	761,542	–	–	100%
1-2	133,269	362,420	362,420	–	–	100%
1-5	120,570	610,744	342,647	268,097	–	100%
1-4	112,194	460,901	460,901	–	–	100%
1-2	57,528	342,533	342,533	–	–	100%
1-2	113,411	447,537	–	447,537	–	100%
1	34,088	68,175	–	68,175	–	51%
1	3,286	26,290	–	26,290	–	100%
1-4	104,964	278,191	–	128,977	149,214	100%
1-2	29,541	116,634	116,634	–	–	100%
1-3	256,187	813,746	813,746	–	–	100%
1-3	119,767	481,362	339,836	141,526	–	100%
1-10	324,327	989,399	413,768	248,072	327,559	100%
–	56,778	141,945	–	–	141,945	100%
1-3	77,543	225,097	–	–	225,097	100%
1	21,423	292,331	292,331	–	–	100%
1-2	12,947	38,844	–	38,844	–	100%
1-2	220,669	593,302	347,000	137,056	109,246	100%
1-2	71,922	233,745	233,745	–	–	100%
1-4	129,242	240,688	61,994	–	178,694	100%
1-2	11,238	85,148	85,148	–	–	100%
1	122,200	324,480	324,480	–	–	100%
1-8	1,647,042	2,976,942	566,091	1,055,388	1,355,463	100%
1-2	128,018	131,112	–	131,112	–	100%
1-3	229,865	381,418	258,314	123,104	–	100%
1-4	133,340	331,542	214,261	117,281	–	100%
1-10	372,427	259,713	–	108,570	151,143	100%
1-2	26,610	156,239	78,619	77,620	–	100%
–	15,955	78,454	78,454	–	–	100%
1	41,150	104,392	–	104,392	–	100%
1	36,576	54,860	–	–	54,860	51%
1	32,484	48,726	–	–	48,726	49%
1-4	673,536	938,203	938,203	–	–	100%
–	21,770	108,731	108,731	–	–	100%
1	14,324	221,603	–	221,603	–	100%
1-6	253,693	892,604	672,151	220,453	–	100%
1-2	50,161	283,789	–	–	283,789	60%
1-3	222,182	597,728	597,728	–	–	100%
1	50,054	160,648	–	–	160,648	51%
1-3	181,493	605,941	605,941	–	–	100%
–	40,351	156,763	156,763	–	–	100%
1	26,861	142,355	–	142,355	–	100%
1-2	128,539	352,480	–	352,480	–	100%
1	103,176	281,669	–	281,669	–	35%
1	69,499	156,619	–	91,102	65,517	100%
1	23,165	81,077	–	–	81,077	100%

PROJECT PORTFOLIO — SUMMARY

No.	Projects	Address	Location	Type[1]
The Yangtze River Delta				
118	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwaihuan Road, and North of Renmin East Road	Jiangyin	Residential
119	Jiangyin Gushan Mocha Town	South of Golden Gushan Garden and West of Xingfu Avenue, Gushan Town	Jiangyin	Residential
120	Jiangyin Kaisa Plaza	No.1091 Renmin East Road	Jiangyin	Residential
121	Jiangyin Zhouzhuang Golden World	East of Zhouxi Dong Road, Zhouzhuang Town	Jiangyin	Residential
122	Jiangyin Changjing Lake View Waldorf	East of Xinglong Road and South of Dongshun Road, Changjing Town	Jiangyin	Residential
123	Jiangyin Tonghui Garden	North of Tonghui Road, West of Tongjiang Road, and South of Tongfu Road	Jiangyin	Residential
124	Jiangyin Fuqiao Homeland	North of Chengxi Road, West of Tongdu Road, and South of Binjiang Road	Jiangyin	Residential
125	Changzhou Phoenix Lake No.1	South of Qingyang Road, Xuejia Town, Xinbei District	Changzhou	Residential
126	Taizhou Kaisa Mansion No.1	North of Chenzhuang Road and West of No.11 Road, Taizhou Economic Development Area	Taizhou	Residential
127	Shanghai Shanhuwan Garden	No.4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai	Residential
128	Shanghai Shangpin Garden	Kangfeng North Road and Kangnian Road, Malu Town, Jiading District	Shanghai	Residential
129	Shanghai Kaisa Mansion No.8	No.99 Alley, Juting Road, Zhuanghang Town, Fengxian District	Shanghai	Residential
130	Shanghai Kaisa City Plaza	Junction of Shengzhu East Road and Chengliu Road, Xuhang Town, Jiading District	Shanghai	Residential
131	Shanghai Kaisa Mansion	Junction of Minsheng Road and Middle Yanggao Road, Pudong District	Shanghai	Commercial
132	Shanghai Kaisa Monarch Residence	Junction of Songjian Road and Fumao Road, Chonggu Town, Qingpu District	Shanghai	Residential
133	Shanghai Kaisa City Garden	East of Qiyuan Road, West of Xiaoxin River,South of Shupindong Road and North of Xinjian No.1 Road, Xuhang Town, Jiading District	Shanghai	Residential
134	Shanghai Shangpin Jiayuan	East of Qiyuan Road, West of Xiaoxin River,South of Shupindong Road and North of Xinjian No.1 Road, Xuhang Town, Jiading District	Shanghai	Residential
135	Taicang Lake View Waldorf	No.1 Jinan Road, Science-Education New Town	Taicang	Residential
136	Hangzhou Jade Dragon Court	North of Zhennan Road, Zhijiang National Holiday Resort, West Lake District	Hangzhou	Residential
137	Hangzhou Kaisa Monarch Residence	North of Shitang Road and West of Donghu Road, Qiaosi Street, Yuhang District	Hangzhou	Residential
138	Hangzhou Puyu Court	Jingfeng Community, Wuchang Street, Yuhang District	Hangzhou	Residential
139	Hangzhou Fuyang Yinhu Project	Dashanjiao Village, Yinhu Street, Fuyang District	Hangzhou	Residential
140	Shaoxing Kaisa Guoyue Mansion	Lanting Street, Keqiao District	Shaoxing	Residential
141	Shaoxing Kaisa Monarch Residence	Fuquan Street, Keqiao District	Shaoxing	Residential
142	Suzhou Kaisa Plaza	West of Tayuan Road and South of Zhuyuan Road, Shishan Street, High-tech District	Suzhou	Residential
143	Suzhou Kaisa Monarch Residence	South of Xingye Road and East of Sudai Road, Huangqiao Street, Xiangcheng District	Suzhou	Residential
144	Suzhou Kaisa Yufeng	South of Pangshan Road and West of Huxin Road,Wujiang District	Suzhou	Residential
145	Zhangjiagang Fengming Riverside	Southwest Corner of the Junction of Yingshan Road and Jingu Road, Phoenix Town	Zhangjiagang	Residential
146	Ningbo Kaisa Dongchenyipin	Junction of Century Avenue and Min'an Road, Yinzhou District	Ningbo	Commercial
147	Nanjing Kaisa City Plaza	Junction of Nanwai and Taiqing Road, South of Hexi Area, Jianye District	Nanjing	Residential
148	Nanjing Kaisa Sky Mansion	D Area No.560 Heyan Road, Xixia District	Nanjing	Residential
149	Jiaxing Xitang Project	East of Hongfu Road and South of Nanyuan Road, Xitang Town	Jiaxing	Residential
150	Xuzhou Thriving Spring Villa	West of Guangzhou Park, Shanhuan West Road, Yunlong District	Xuzhou	Residential
Hainan				
151	Sanya Nantian Project	Nantian Hot Spring Resort Area, North of Haitang District	Sanya	Commercial & Service
152	Sanya Haitang Bay Project	Dongfeng Branch, Nantian Farm, Haitang Bay Town	Sanya	Residential
	Total			

Notes:

1 Residential properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities.

2 The Projects are renovation developments of once distressed assets and partially completed properties.

3 Including

(i) A portion of land with a site area of 46,355 sq. m. for Shenzhen Pinghu Kaisa Plaza;

(ii) A portion of land for Foshan Lishui Project;

(iii) A portion of land for Dongguan Shilong project

(iv) A portion of land for Dongguan Riverside Woods Palace

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA: Completed Properties (sq. m.)	Total GFA: Under Development (sq. m.)	Total GFA: Future Development (sq. m.)	Interest attributable to us
1-3	225,533	272,274	272,274	–	–	100%
1-4	76,465	132,849	132,849	–	–	100%
1-3	158,240	553,177	553,177	–	–	100%
1-2	103,589	182,656	112,889	–	69,767	100%
1-2	93,275	149,763	149,763	–	–	100%
–	41,440	73,615	73,615	–	–	100%
–	35,801	134,535	134,535	–	–	100%
1-2	101,819	253,356	253,356	–	–	100%
1-5	192,505	322,836	75,193	64,892	182,751	51%
1-4	104,796	140,151	140,151	–	–	100%
–	23,307	84,448	84,448	–	–	100%
1-2	143,053	240,499	105,047	135,452	–	100%
1-3	117,256	331,724	331,724	–	–	100%
1	11,088	77,811	–	77,811	–	100%
1-2	90,642	212,240	–	212,240	–	100%
1	23,638	55,429	–	55,429	–	75%
1	44,590	80,262	–	–	80,262	75%
1-3	87,741	201,346	201,346	–	–	100%
–	39,376	98,041	98,041	–	–	100%
–	36,595	100,849	100,849	–	–	100%
1	74,779	207,476	207,476	–	–	100%
1	26,000	23,326	–	–	23,326	100%
1	61,233	46,660	–	–	46,660	36%
1	19,852	72,448	–	72,448	–	70%
1-2	33,234	123,216	123,216	–	–	100%
1-2	59,629	197,069	197,069	–	–	100%
1	29,911	81,945	–	81,945	–	100%
1	31,666	37,865	–	37,865	–	100%
1	15,086	39,224	–	39,224	–	30%
1-3	109,832	411,636	224,106	187,530	–	100%
1	27,376	89,476	–	89,476	–	100%
1	38,881	64,857	–	64,857	–	51%
1	132,397	172,115	–	–	172,115	50%
1	42,585	42,585	–	–	42,585	60%
1	36,943	44,332	–	–	44,332	100%
	17,624,066	47,027,610	24,862,150	10,689,649	11,475,811	

(v) A portion of land with Dongguan Riverside Hillview Palace
(vi) A portion of land with a site arear of 273,997 sq.m. for Huizhou Longmen Longquan Dajing project
(vii) A portion of land for Huizhou Kaisa Monarch Residence
(viii) A portion of land with site arear of 85,520 sq.m. for Zhuhai Lake View Waldorf Garden
(ix) A portion of land with site arear of 25,492 sq.m. for Zhongshan Kaisa Xiangshan Xi Garden
(x) A portioin of land with site arear of 348,137 sq.m. for Huludao Suizhong Kaisa Dongdaihe
(xi) Sanya Haitang Bay Project

for which as at 31 December 2018, the Group has not obtained the land use right certificate, but has entered into land grant contracts or obtained confirmation from the relevant land and resources bureau.

4 The projects are based on our internal plans, but subject to the governmental approval.

5 As at 31 December 2018, the GFA of total completed properties for sale reached 1,861,128 sq. m.

PROJECT PORTFOLIO — SUMMARY

PROPERTIES UNDER DEVELOPMENT

The table below sets forth certain information of our property projects or project phases under development as at 31 December 2018. We have obtained land use rights certificates and construction works commencement permits for all of our properties under development.

Project	City	Project Phase	Total GFA or Estimated Total GFA (sq. m.)	Saleable GFA or Estimated Total Saleable GFA (sq. m.)
Shenzhen Kaisa Financial Center	Shenzhen	1	142,000	129,640
Shenzhen Kaisa City Plaza	Shenzhen	3	259,583	154,573
Shenzhen Yantian City Plaza	Shenzhen	2	225,635	71,344
Shenzhen Kaisa Golden Bay International Park	Shenzhen	1-2	333,910	59,010
Shenzhen Pinghu Kaisa Plaza	Shenzhen	1-2	333,500	149,930
Shenzhen Kaisa Future City	Shenzhen	1	192,437	31,720
Shenzhen Kaisa E Cube	Shenzhen	1	160,970	146,713
Shenzhen Inno Park	Shenzhen	1	269,159	269,159
Guangzhou Kaisa Mansion No.1	Guangzhou	1	86,138	71,183
Guangzhou Sky Villa	Guangzhou	1-2	230,577	68,357
Guangzhou Kaisa City Plaza	Guangzhou	1-3	443,140	302,387
Dongguan Le Grand Bleu	Dongguan	3-4	356,803	280,077
Huizhou Riverbank New Town	Huizhou	5-10	915,654	869,530
Huizhou Kaisa Mountain Bay	Huizhou	1	120,147	68,414
Huizhou Kaisa Times Mocha Town	Huizhou	1-2	195,313	192,834
Zhuhai Lake View Waldorf Garden	Zhuhai	2	157,929	36,971
Zhuhai Golden World	Zhuhai	3-4	149,309	76,503
Zhuhai Kaisa Monarch Residence	Zhuhai	1	28,958	24,627
Zhuhai Kaisa Yuefeng Garden	Zhuhai	1	73,816	73,079
Zhongshan Kaisa Xiangshan Royal Palace	Zhongshan	1	69,794	47,928
Zhongshan Kaisa Shangpin Garden	Zhongshan	1	82,397	63,168
Zhongshan Kaisa Metro City	Zhongshan	1-2	211,608	173,894
Chengdu Kaisa Mansion No.8	Chengdu	4	268,097	183,135
Chengdu Kaisa Yuefu	Chengdu	1	447,537	425,191
Chengdu Kaisa Imperial Jade	Chengdu	1	68,175	68,173
Chengdu Kaisa Tianyue Mansion	Chengdu	1	26,290	18,704
Pengzhou Kaisa Golden Metro	Pengzhou	1-2	128,977	128,977
Chongqing Kaisa Plaza	Chongqing	3	141,526	112,327
Chongqing Kaisa Bright Harbour	Chongqing	5, 6, 9	248,072	216,495
Shenyang Kaisa Yuefeng	Shenyang	1	38,844	31,075
Yingkou Dragon Bay	Yingkou	1	137,056	95,939
Huludao Suizhong Kaisa Dongdaihe	Huludao	3, 4, 6, 8, 9	1,055,388	941,292
Weifang Kaisa Golden World	Weifang	2	131,112	84,244
Qingdao Lake View Place	Qingdao	3	123,104	100,161
Dandong Kaisa Mansion No.1	Dandong	3	117,281	95,952
Liaoyang Hot Spring Resort Project	Liaoyang	1	108,570	38,611
Dalian Kaisa Center	Dalian	2	77,620	75,295
Dalian Kaisa No. 1	Dalian	1	104,392	84,558
Changsha Kaisa Plaza	Changsha	6	221,603	169,780
Changsha Meixi Lake Project	Changsha	6	220,453	178,032
Wuhan Kaisa Plaza	Wuhan	1	142,355	104,928
Wuhan Kaisa Yuefu	Wuhan	1	352,480	251,495
Ezhou Zhongliang Kaisa The One Mansion	Ezhou	1	281,669	275,757
Xinzheng Kaisa Yuefeng	Xinzheng	1	91,102	89,772
Taizhou Kaisa Mansion No.1	Taizhou	2	64,892	63,700
Shanghai Kaisa Mansion No.8	Shanghai	2	135,452	78,496
Shanghai Kaisa Mansion	Shanghai	1	77,811	49,896
Shanghai Kaisa Monarch Residence	Shanghai	1	212,240	145,819
Shanghai Kaisa City Garden	Shanghai	1	55,429	42,590
Shaoxing Kaisa Monarch Residence	Shaoxing	1	72,448	47,503
Suzhou Kaisa Yufeng	Suzhou	1	81,945	59,237
Zhangjiagang Fengming Riverside	Zhangjiagang	1	37,865	36,862
Ningbo Kaisa Dongchenyipin	Ningbo	1	39,224	38,389
Nanjing Kaisa City Plaza	Nanjing	3	187,530	5,346
Nanjing Kaisa Sky Mansion	Nanjing	1	89,476	51,182
Jiaxing Xitang Project	Jiaxing	1	64,857	46,657
Total			**10,689,649**	**7,796,611**

PROJECT PORTFOLIO — SUMMARY

Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
Apr-18	Not yet obtained	2020 4Q	100%
Mar-17	Not yet obtained	2021 3Q	100%
Apr-17	Not yet obtained	2020 3Q	100%
Jan-18	Not yet obtained	2020 2Q	51%
Dec-17	Not yet obtained	2020 2Q	100%
Nov-17	Not yet obtained	2020 2Q	80%
Dec-18	Not yet obtained	2020 1Q	100%
Jun-18	Not yet obtained	2020 4Q	24%
Jan-15	Yes	2019 3Q	49%
Dec-16	Yes	2018 4Q	49%
Nov-15	Not yet obtained	2020 3Q	49%
Aug-16	Yes	2018 3Q	100%
Dec-16	Yes	2020 1Q	100%
Aug-18	Not yet obtained	2020 3Q	100%
Nov-17	Not yet obtained	2019 2Q	51%
Jan-18	Not yet obtained	2019 4Q	100%
Dec-12	Yes	2019 4Q	100%
Jan-18	Not yet obtained	2019 3Q	100%
Nov-18	Not yet obtained	2020 3Q	100%
Sep-18	Not yet obtained	2019 4Q	100%
May-18	Not yet obtained	2019 3Q	80%
May-18	Not yet obtained	2019 4Q	80%
Nov-17	Yes	2020 1Q	100%
Feb-18	Not yet obtained	2020 2Q	100%
Oct-18	Not yet obtained	2021 3Q	51%
Jun-18	Not yet obtained	2020 2Q	100%
May-18	Yes	2021 3Q	100%
Oct-17	Yes	2019 3Q	100%
Jun-17	Yes	2018 4Q	100%
Oct-17	Yes	2019 4Q	100%
Apr-18	Not yet obtained	2021 1Q	100%
Sep-14	Yes	2022 2Q	100%
Nov-12	Not yet obtained	2019 4Q	100%
May-14	Yes	2019 3Q	100%
Dec-17	Yes	2019 4Q	100%
Jan-17	Yes	2019 4Q	100%
Jan-14	Not yet obtained	2019 4Q	100%
Jun-18	Not yet obtained	2020 3Q	100%
Jun-17	Yes	2020 3Q	100%
Nov-17	Yes	2019 4Q	100%
Sep-17	Yes	2019 3Q	100%
Sep-18	Not yet obtained	2020 4Q	100%
Oct-18	Yes	2020 2Q	35%
May-18	Not yet obtained	2019 4Q	100%
Sep-18	Yes	2020 1Q	51%
Jun-16	Not yet obtained	2019 2Q	100%
Mar-16	Not yet obtained	2019 2Q	100%
May-16	Yes	2019 2Q	100%
Jun-18	Not yet obtained	2019 4Q	75%
Jul-17	Not yet obtained	2019 2Q	70%
Jan-18	Not yet obtained	2019 3Q	100%
Nov-18	Not yet obtained	2019 4Q	100%
Oct-18	Not yet obtained	2020 3Q	30%
Apr-16	Yes	2020 1Q	100%
Feb-18	Not yet obtained	2019 4Q	100%
Mar-18	Yes	2020 2Q	51%

PROJECT PORTFOLIO — SUMMARY

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The table below sets forth certain information of our property projects held for future development as at 31 December 2018.

Project
Shenzhen Yantian City Plaza
Shenzhen Kaisa Golden Bay International Park
Shenzhen Pinghu Kaisa Plaza
Shenzhen Kaisa Future City
Shenzhen Nan'ao Project
Shenzhen Dongmendao Project
Shenzhen Inno City
Guangzhou Kaisa Future City
Guangzhou Nantian Project
Guangzhou Kaisa Sky Bright
Guangzhou Kaisa Sky Pride
Guangzhou Xiaoping Village Project
Foshan Shunde Kaisa Golden World
Foshan Kaisa Metro City
Foshan Kaisa E Cube
Foshan Lishui Project
Dongguan Shilong Project
Dongguan Riverside Woods Palace
Dongguan Riverside Hillview Palace
Huizhou Yuanzhou Project
Huizhou Riverbank New Town
Huizhou Kaisa Mountain Bay
Huizhou Kaisa Times Mocha Town
Huizhou Kaisa Dong River Garden
Huizhou Longmen Longquan Dajing
Huizhou Kaisa Monarch Residence
Zhuhai Lake View Waldorf Garden
Zhongshan Kaisa Fortune Garden
Yangjiang Kaisa Riverside No. 1
Pengzhou Kaisa Golden Metro
Chongqing Kaisa Bright Harbour
Chongqing Shaba Jingkou Project
Chongqing Kaisa Zhuanshan Fortune Garden
Yingkou Dragon Bay
Anshan Monarch Residence
Huludao Suizhong Kaisa Dongdaihe
Liaoyang Hot Spring Resort Project
Bazhou Kaisa Peacock City Yuefeng
Gu'an Niutuo Tianci Project
Changsha Gaotie New Town Project
Hengyang Kaisa Yuefeng
Xinzheng Kaisa Yuefeng
Xinxiang Kaisa Yuefeng
Jiangyin Zhouzhuang Golden World
Taizhou Kaisa Mansion No.1
Shanghai Shangpin Jiayuan
Hangzhou Fuyang Yinhu Project
Shaoxing Kaisa Guoyue Mansion
Xuzhou Thriving Spring Villa
Sanya Nantian Project
Sanya Haitang Bay Project
Total

Note:
1. For projects with multiple phases, the estimated time for completing the first phase of the project.

PROJECT PORTFOLIO — SUMMARY

Location	Project Phase	Estimated Total GFA (sq. m.)	Estimated Completion Time[1]
Shenzhen	1-3	368,196	2020
Shenzhen	1-4	182,490	2020
Shenzhen	1-2	141,500	2020
Shenzhen	1-2	86,566	2020
Shenzhen	1	51,930	2021
Shenzhen	1	50,556	2021
Shenzhen	2	268,380	2022
Guangzhou	3	177,637	2020
Guangzhou	1-3	315,343	2021
Guangzhou	1	16,182	2021
Guangzhou	1	29,383	2021
Guangzhou	1-3	507,650	2022
Foshan	9	2,719	2019
Foshan	–	101,398	2020
Foshan	–	61,082	2020
Foshan	–	55,313	2021
Dongguan	–	10,131	2021
Dongguan	–	155,693	2021
Dongguan	–	202,294	2021
Huizhou	–	61,200	2021
Huizhou	1-13	2,332,179	2021
Huizhou	1-3	241,506	2019
Huizhou	1-5	446,468	2021
Huizhou	1-4	441,810	2020
Huizhou	1-4	630,000	2020
Huizhou	–	71,043	2020
Zhuhai	3-4	185,014	2019
Zhongshan	1-2	128,347	2020
Yangjiang	1-2	159,025	2020
Pengzhou	3-4	149,214	2022
Chongqing	1-10	327,559	2019
Chongqing	–	141,945	2020
Chongqing	1-2	225,097	2022
Yingkou	1-2	109,246	2021
Anshan	1-4	178,694	2021
Huludao	1-8	1,355,463	2020
Liaoyang	3-10	151,143	2020
Bazhou	1	54,860	2020
Gu'an	1	48,726	2020
Changsha	1-2	283,789	2020
Hengyang	1	160,648	2020
Xinzheng	1	65,517	2020
Xinxiang	1	81,077	2021
Jiangyin	2	69,767	2020
Taizhou	5	182,751	2021
Shanghai	1	80,262	2021
Hangzhou	1	23,326	2020
Shaoxing	1	46,660	2019
Xuzhou	1	172,115	2020
Sanya	1	42,585	2020
Sanya	1	44,332	2020
		11,475,811	

PROJECT PORTFOLIO — SUMMARY

SHENZHEN

SHENZHEN KAISA YANTIAN CITY PLAZA (深圳鹽田佳兆業城市廣場)

Shenzhen Kaisa Yantian City Plaza is an urban redevelopment project and is located at the hinterland of Yantian Port, Yantian District, Shenzhen. This project occupies a site area of approximately 170,000 sq.m. with a total GFA of 1,070,000 sq.m., of which 130,000 sq.m. are used for commercial purpose. The project is planned to be the largest urban complex in the region and is comprised of residential, commercial, apartment and office buildings. The project is divided into three phases.

SHENZHEN KAISA E CUBE (深圳佳兆業E立方)

Shenzhen Kaisa E Cube is the first project of the Kaisa Group initiated in Longhua Distrct, Shenzhen. It occupies the western part of the central district of Shenzhen and is adjacent to Niuhu Station, the first station of the extended Metro Line 4. It benefits from the favorable policies for the Guanlan Lake international community. The project aims to establish an urban leisure space which comprises residential, shopping, entertainment, leisure sports and education areas.

PROJECT PORTFOLIO — SUMMARY

SHENZHEN KAISA FINANCIAL CENTER (深圳佳兆業金融中心)

Shenzhen Kaisa Financial Center is located at the Shennan Avenue, the main road of Futian District, Shenzhen. It is connected with the central business district of Luohu and Futian as well as the North Huaqiang Commercial Circle, and is seamlessly connected with the operating Metro Line 1 and Science Museum Station of Metro Line 6, which is under construction. It is only a 10-minutes' drive from Huanggang and Luohu Ports. The project is positioned as the landmark of a major business office platform in Shenzhen, including a Grade A office building of approximately 258 meters in height and a largescale commercial shopping centre. The project enjoys an unparalleled locational advantage with a total GFA of approximately 140,000 sq.m.

SHENZHEN DONGMENDAO PROJECT (深圳東門道項目)

Shenzhen Dongmendao Project is located at the intersection of Dongmen Zhong Road and Xinghu Road in Luohu, Shenzhen. It is located in the central commercial district of Dongmen, Luohu, and is adjacent to the Shaibu Station of Metro Line 3. The project has a total GFA of approximately 50,000 sq.m. and is planned for commercial and residential uses.

PROJECT PORTFOLIO — SUMMARY

CHENGDU

CHENGDU KAISA YUEFU (成都佳兆業悦府)

Chengdu Kaisa Yuefu is located in the core area of Qingbaijiang District in North Chendu Free Trade Zone. This project occupies a site area of approximately 110,000 sq.m. with a total GFA of approximately 450,000 sq.m. It will be divided into two phases and mainly comprises high-rises and villas with certain portions for ancillary commercial use.

XUZHOU

XUZHOU THRIVING SPRING VILLA (徐州富春山居)

Xuzhou Thriving Spring Villa is the first project Kaisa Group initiated in Xuzhou. It is located at the key area of Xuzhou – the intersection of Sanhuan East Road and Xuhai Road in Yunlong District, which is near the East Third Ring Expressway and Metro Line 1. The project occupies a site area of approximately 130,000 sq.m. with a total GFA of approximately 170,000 sq.m. It is a high-end low-density residential area in the region and is planned to comprise high-rises, villas and townhouses.

PROJECT PORTFOLIO — SUMMARY

SUZHOU

SUZHOU KAISA YUFENG (蘇州佳兆業御峰)

Suzhou Kaisa Yufeng is located at the intersection of Huxin West Road and Pangshan Road in Wujiang District, Suzhou. It is adjacent to the core area of the government office Wujiang Economic Development Zone. The project occupies an aggregate site area of approximately 30,000 sq.m. with a total GFA of approximately 80,000 sq.m.. This project is positioned as an upgraded boutique residence in the region comprising high-rises and villas.

NANJING

NANJING KAISA SKY MANSION (南京佳兆業天御)

Nanjing Kaisa Sky Mansion is adjacent to Yanyuan Road, East Yanzi Ji, Qixia District, Nanjing and is near the Ba Dou Station of Nanjing Metro Line 1, which is the northern extended line under planning. It is only a few hundred meters away from Yanzi Ji Park and Muyan Riverside Scenery Belt. The project is expected to be constructed as seven 16-18 floors high-rise residential buildings.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As at the date of this report, the board of directors (the "**Board**") of the Company consists of nine directors (the "**Directors**"), three of whom are independent non-executive Directors. The Board has the general powers and duties for the management and conduct of the business. The Company has entered into service contracts with each of the Directors.

The table below sets forth certain information regarding the Directors:

Name	Age	Position
KWOK Ying Shing	54	Chairman and Executive Director
SUN Yuenan	55	Vice Chairman and Executive Director
ZHENG Yi	38	Executive Director
MAI Fan	40	Executive Director and Chief Executive Officer
WENG Hao	38	Executive Director
CHEN Shaohuan	53	Non-Executive Director
ZHANG Yizhao	48	Independent Non-Executive Director
RAO Yong	60	Independent Non-Executive Director
LIU Xuesheng	55	Independent Non-Executive Director

Chairman and Executive Director

KWOK Ying Shing (郭英成), aged 54, is the Chairman of the Company, an executive Director, chairman of the Nomination Committee and a member of the Remuneration Committee. He is one of the founders of the Group and was the Chairman and a Director since its inception in 1999. He resigned as the Chairman and an executive Director in December 2014 and was re-appointed as the Chairman and an executive Director in April 2015. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of the Group. Mr. Kwok has extensive experience in real estate development, investment and financing management.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

SUN Yuenan (孫越南), aged 55, is an executive Director, a Vice Chairman and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Sun is primarily responsible for investment and management of the Group. Mr. Sun joined the Group in July 2001 as chief administrative director of Kaisa Group (Shenzhen) Co., Ltd. ("**Kaisa Group (Shenzhen)**") and has held various positions within the Group, including senior vice president of the Group, deputy general manager of Kasia Group (Shenzhen) and general manager of Guangzhou Jinmao Property Development Co., Ltd. Mr. Sun has extensive regulatory and business administration experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor's degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

ZHENG Yi (鄭毅), aged 38, is an executive Director of the Company. He is currently a President of the Group, who is in charge of general management of Kaisa Holding Group, Urban Development Group and Investment and Financing Group. Mr. Zheng joined the Group in July 2007 and has served as Investment Deputy Manager, President Secretary and President of the Real Estate Department among other positions. Prior to joining the Group, Mr. Zheng worked in Land and Real Estate Trading Center of Shenzhen. Mr. Zheng received the bachelor's degree in law from Zhongnan University of Economics and Law in the PRC in July 2003.

MAI Fan (麥帆), aged 40, is an executive Director, the Chief Executive Officer and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Mai is responsible for the overall management and daily operations of the Group. Prior to joining the Group in August 2015, Mr. Mai served at the Shenzhen Municipal Highway Bureau and Futian Government, Shenzhen from July 2001 to July 2015. Mr. Mai received his bachelor of laws from the Sun Yat-sen University in 2001 and received the qualification of legal profession in 2002.

WENG Hao (翁昊), aged 38, is an executive Director of the Company. Mr. Weng also served as the chairman of Kaisa Technology & WEWA Space Group (a wholly owned subsidiary of the Company), mainly in charge of management. Mr. Weng joined the Group in June 2003, and has served as the Assistant General Manager of project management department of the Group, general manager of Nanjing branch of real estate Group, executive vice president and president of real estate Group, chairman and president of Shanghai region real estate business, executive vice president of the Company etc. Mr. Weng graduated from Southeast China University in 2003 and obtained the degree of bachelor of engineering.

Non-Executive Director

CHEN Shaohuan (陳少環), aged 53, has been a non-executive Director of the Company since 26 December 2013. She received a Diploma in Economics and Management from the Social Science Faculty of South China University of Technology in the People's Republic of China in July 1987. Ms. Chen has joined Sino Life Insurance Co., Ltd. (生命人壽保險股份有限公司) ("**Sino Life Insurance**") since December 2013 and is currently the deputy general manager of the asset management centre of Sino Life Insurance. Prior to joining Sino Life Insurance, Ms. Chen was the manager of the investment division of Shenzhen Fengsheng Investment Group Company Limited* (深圳市豐盛投資集團有限公司) from June 1995 to November 2013. Ms. Chen was also the deputy general manager of a subsidiary of Shenzhen Wuzhi Group Company* (深圳市物資總公司) engaging in construction material business from September 1983 to May 1995.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

ZHANG Yizhao (張儀昭), age 48, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Zhang is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He is also a director of China Carbon Graphite Group Inc. (OTC BB: CHGI) and HH Biotechnology Holdings Company (OTC BB: HHBT). Mr. Zhang has over 19 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang was the CFO or director at various public companies listed in the US, Hong Kong and Tokyo. Mr. Zhang also had experiences in portfolio management and asset trading at Guangdong South Financial Services Corporation from 1993 to 1999. He is a Certified Public Accountant of the State of Delaware, and a member of the American Institute of Certified Public Accountants (AICPA). He also has the Chartered Global Management Accountant (CGMA) designation. Mr. Zhang graduated with a bachelor's degree in economics from Fudan University, Shanghai in 1992 and received a Master of Business Administration with concentrations in financial analysis and accounting from the State University of New York at Buffalo in 2003.

RAO Yong (饒永), aged 60, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Rao is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a member of the Chinese Institute of Certified Public Accountants (CICPA) and a certified public valuer in China. Mr. Rao has over 28 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

LIU Xuesheng (劉雪生), aged 55, has been an independent non-executive Director of the Company since 28 February 2017. Mr. Liu joined Shenzhen Institute of Certified Public Accountants (深圳市註冊會計師協會) ("**SZICPA**") since February 1999 and is currently the deputy secretary general. Prior to joining the SZICPA, Mr. Liu was the accountant of OCT Group (深圳華僑城集團) from April 1992 to February 1999. Mr. Liu graduated from Jiangxi Institute of Finance and Economics (江西財經學院) (now known as the Jiangxi University of Finance and Economics (江西財經大學) with a bachelor degree in 1989 and graduated from Shanghai University of Finance and Economics (上海財經大學) majoring in accounting and obtained a master degree in economics in 1992. He was admitted as Certified Public Accountants in the People's Republic of China in 1995. Mr. Liu is currently an independent non-executive director of Telling Telecommunication Holdings Co., Ltd. (天音通信控股股份有限公司), Huafu Top Dyed Melange Yarn Co., Ltd. (華孚色紡股份有限公司) and EDAN Instruments, INC. (深圳市理邦精密儀器股份有限公司), which are companies listed on the Shenzhen Stock Exchange. From June 2008 to June 2011, Mr. Liu was the independent non-executive director of Dongjiang Environmental Company Limited (stock code: 895), a company listed in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

As at the date of this report, the senior management members are LAU Fu Keung, LI Haiming, WAN Bin, ZHANG Runshen, ZHAI Xiaoping, ZHAO Yi, SONG Wei, ZHAN Renchao, JIE Pingsheng, WANG Aihua, SUN Xiao, WU Jianxin, LIU Tao and YANG Ming. The table below sets forth certain information regarding the senior management members:

Name	Age	Position
LAU Fu Keung	39	Chief Financial Officer
LI Haiming	44	Executive President
WAN Bin	54	Executive Vice President
ZHANG Runshen	62	Senior Vice President
ZHAI Xiaoping	39	Senior Vice President
ZHAO Yi	43	Senior Vice President
SONG Wei	34	Vice President
ZHAN Renchao	56	Vice President
JIE Pingsheng	56	Vice President
WANG Aihua	42	Vice President
SUN Xiao	56	Vice President
WU Jianxin	40	Vice President
LIU Tao	36	Assistant President
YANG Ming	35	Assistant President

Please refer to the section headed "(A) The Board of Directors" of the corporate governance report for further information on the changes in the senior management of the Group during the year and up to the date of this report.

LAU Fu Keung (劉富强), aged 39, was appointed as the Chief Financial Officer of the Group in June 2018. He is primarily responsible for corporate finance, investment and financing strategies, investor relations and capital management of the Group. Mr. Lau has over 15 years of experience in investment banking, consulting and accounting across a wide spectrum of financial products including public and private equity and debt capital markets, loans and structured finance. Mr. Lau received his Bachelor of Business Administration (with Distinction) degree major in Finance and a Master of Accounting (with Distinction) degree from the Ross School of Business, University of Michigan, Ann Arbor, U.S.. Mr. Lau is a U.S. (Delaware) Certified Public Accountant Certificate holder. Prior to joining the Group in June 2018, he worked as a Director of Loans and Structured Credit team in the Global Credit Trading group. Prior to that, he was the Head of Equity Capital Markets, Greater China at Barclays Capital, and Vice President of Equity Capital Markets team at Deutsche Bank. Mr. Lau began his career as Senior Consultant at PricewaterhouseCoopers and Auditor at Ernst & Young respectively.

LI Haiming (李海鳴), aged 44, was appointed as the Executive President of the Group and President of Kaisa Properties Shenzhen Department, he has successively held the post of chairman of the board of Kaisa Properties in Changsha, chairman of the board of Kaisa Properties in Shenzhen, general manager of Kaisa Golden Beach International Themed Entertainment Company and vice president of Kaisa Properties Shenzhen Department. Before he joined the Group, Mr. Li had majored in enterprise management and graduated from Party School of the Guangdong Provincial Committee of CPC in July 2000, and he had engaged in design work in Shenzhen General Institute of Architectural Design and Research Co., LTD, and Tsinghua Architectural Design Co., LTD.

DIRECTORS AND SENIOR MANAGEMENT

WAN Bin (萬兵), aged 54, was appointed as the Executive Vice President of the Group and Kaisa Wealth Management Group. Mr. Wan is mainly responsible for management. He joined the Group in April 2009 and sequentially served as chairman of the board in Liaonning branch, Group Vice President and Group Executive Vice President. Prior to joining the Group, Mr. Wan had worked in China Merchants Bank, the People's Bank of China and Ping An Bank and mainly responsible for management. He graduated from Shenzhen University in July 1987 and received a Bachelor degree in Economics.

ZHANG Runshen (張潤深), aged 62, was appointed as a Senior Vice President of the Group in August 2017 and held the positions of the chairman of Shenzhen Kaisa Financial Group and general manager of the equity fund company. Mr. Zhang joined Kaisa in March 2017 and served as Vice Chairman and the Chairman of Shenzhen Kaisa Financial Group. Prior to joining the Group, Mr. Zhang had worked in the Shenzhen branch of the People's Bank of China, Shenzhen Development Bank and the Shenzhen branch of Huaxia Bank, mainly responsible for general management. Mr. Zhang graduated from Jinan University with a bachelor's degree in arts in 1982.

ZHAI Xiaoping (翟曉平), aged 39, was appointed as a Senior Vice President of the Group in September 2017 and held the positions of the president of the investment department of the Group, mainly responsible for the investment of the Group. Ms. Zhai joined the Group in July 2007 and served as the president of the Group's investment and financing management department, Vice President of the investment and financing group and Vice President of Shenzhen Kaisa Financial Group. Ms. Zhai graduated from Peking University with a bachelor's degree in law in 2007.

ZHAO Yi (趙毅), aged 43, was appointed as a Senior Vice President of the Group in May 2018 and the president of Kaisa Financial Group, and is mainly in-charge of the management. Mr. Zhao joined the Group in December 2010 and served as an assistant general manager of Dalian company, general manager of the Group's capital management department and vice president of the finance group. Before joining the Group, Mr. Zhao worked in Dalian Zhongsheng Group Co., Ltd., Dalian Yida Group, and Hong Kong Shui On Group, mainly responsible for the finance, capital and tax affairs. Mr. Zhao graduated with a Master's degree of Business Administration from Dongbei University of Finance and Economics in 2012 and is a member of Chinese Institute of Certified Public Accountants.

SONG Wei (宋偉), aged 34, is a Vice President of the Group. Mr. Song is primarily responsible for urban renewal work. Prior to joining the Group in November 2015, Mr. Song has successively engaged in news and planning in Hubei Daily Media Group and Evergrande Real Estate Group. Mr. Song has received a bachelor's degree in Journalism & Communication from Hubei University in 2007.

ZHAN Renchao (詹仁超), aged 56, was appointed as Vice President of the Group and chairman and President of Kaisa Properties Beijing Department in July 2017. Mr. Zhan joined the Group in May 2005, he has successively held the post of general manager of Kaisa Properties in Zhuhai, general manager of Kaisa Properties in Jiangsu, chairman of the board of Kaisa Properties Liaoning Department, vice president of Kaisa Properties. Before he joined the Group, he had engaged in real estate development in Dongguan Huijing Real Estate Development Co., Ltd, Shenzhen Hongwei Real Estate Development Co., Ltd, Shenzhen Yifeng (Group) Stock Corporation.

JIE Pingsheng (揭平勝), aged 56, was appointed as Vice President of the Group in November 2016, as well as chairman and president of Guangzhou City Renewal Group, and is mainly in charge of management. He joined the Group in February 2008 and served sequentially as chairman of the board and general manager of Kaisa Real Estate Zhuhai branch, chairman of the board and president of Guangzhou Zhiye Group, chairman of the board of Zhiye Group and chairman of City Renewal Group. Before joining the Group, he sequentially worked for Shenzhen Mingju Real Estate Co., Ltd. as deputy general manager, Xinhe Group as vice president and Shenzhen Anneng Real Estate Company as deputy general manager. He graduated from Shenzhen University in 1987.

DIRECTORS AND SENIOR MANAGEMENT

WANG Aihua (王愛華), aged 42, was appointed as a Vice President of the Group in May 2017, and Chairman of the board in Innovation and Research Institute, and is mainly in charge of management. She joined the Group in March 2008 and served sequentially as deputy general manager of department of Design Management, director of Kaisa research institute of real estate group, vice president of Strategy and Research Institute. Before joining the Group, she had worked for Design Institute of Dalian Northeast College of Nationalities, Shenzhen Huaxin Architectural Design Co., Ltd. and Shenzhen Tongji Architectural Design Co., Ltd., mainly responsible for architecture design. Ms. Wang graduated from Heilongjiang University of Science and Technology in 2000 and obtained a Bachelor degree in Engineering.

SUN Xiao (孫曉), aged 56, was appointed as a Vice President of the Group in November 2018 and also served as the chairman of Beijing Wealth Management Group (北京財富管理集團) responsible for management. Prior to joining Kaisa, Mr. Sun was successively engaged in technology, operation and management in Chemical and Pharmaceutical Bureau/Pharmaceutical Bureau (化工醫藥局/醫藥局) in Zibo, Shandong, Ministry of Chemical Industry/Light Industry Bureau (國家化工部/輕工業局) and HongTa Innovation Investment Co., Ltd. (紅塔創投). Mr. Sun graduated from Shandong Industrial College with a Bachelor's degree in Engineering in 1983 and graduated from Capital University of Economics and Business with a postgraduate degree in business administration in 2001.

WU Jianxin (吳建新), aged 40, was appointed as a Vice President of the Group in December 2018, and is mainly responsible for finance, tax and capital management. Mr. Wu joined the Company in August 2015 and has successively held the post of general manager of the capital management department, general manager of the financial management department and assistant president of the Group. Prior to joining the Company, Mr. Wu worked in China Electronics ShenZhen Company, Huawei Technologies Co., Ltd and Country Garden Holdings Company Limited, mainly responsible for capital management affairs. Mr. Wu graduated from Zhongnan University of Economics and Law in 2001 with a bachelor's degree in economics.

LIU Tao (劉濤), aged 36, is an Assistant President of the Group, mainly responsible for informatization, media and investor relations management. He joined the Group in October 2009 and served sequentially as department manager of informatization management department, general manager assistant and deputy general manager. Before joining the Group, he sequentially worked for Shenzhen Gangzheng Digital and Shenzhen Mingyuan Software Co., Ltd., mainly responsible for IT projects management. He graduated from Shandong University of Science and Technology in 2005 and obtained a Bachelor degree in Engineering.

YANG Ming(楊明), aged 35, was appointed as an Assistant President of the Group in June 2018, and is mainly responsible for legal and risk management work. Ms. Yang joined the Company in April 2016 and has successively held the post of deputy general manager of the legal compliance department of the real estate group and general manager of the legal compliance department of the Group. Prior to joining the Company, Ms. Yang had successively worked in CIMC, Glorious Property Holdings Limited and Shum Yip Land Company Limited responsible for legal and risk management. Ms. Yang graduated from Wuhan University in July 2004 with a bachelor's degree in law.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PREPARATION GUIDELINES ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following section solely provides advanced guidelines for the environmental, social and governance report of the Group, which is for reference for the management of the Group:

Objective and Standard of the Report

This Environmental, Social and Governance Report provides the performance of Kaisa Group Holdings Ltd. ("Kaisa" or the "Group" or "We") in respect of environmental, social and governance for the year ended 31 December 2018.

This Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of identifying and making disclosure of the material matters and key performance indicators in relation to the Group's environmental, social and governance and promoting the full implementation of sustainable development and social responsibilities by the Group.

Reporting Scope and Period

This report made disclosure of the material matters and key performance indicators in relation to environmental management, social responsibility and governance located in Kaisa's head office in Shenzhen, as well as the core projects of the property development business located in the following selected areas: 1) Pearl River Delta; 2) Yangtze River Delta; 3) Central China; and 4) Pan-Bohai Bay Rim, under the Group's core business for the period from 1 January 2018 to 31 December 2018 (the "Reporting Period").

The Group will continue to optimise its data collection and reporting system of environmental management, social responsibility and governance and gradually expand the disclosure scope to improve the quality and comprehensiveness of the report in the long term.

Data Collection Method

Information used in this report is provided by Kaisa's head office located in Shenzhen and the property development department located in the Pearl River Delta, Yangtze River Delta, Central China and Pan-Bohai Bay Rim. Kaisa is responsible for the supervision of accuracy, completeness, disclosure and statement of all the relevant information in this report.

Participation of Stakeholders and Communication

Kaisa actively communicates with key stakeholders, including customers, employees, investors, the government, suppliers and the community, through various communication channels such as reports, event seminars, opinion surveys or other platforms to understand their concerns, in order to achieve common progress and development, meet the expectations and requirements of stakeholders, and contribute the highest value to the community. The communication process with the stakeholders provided a basis for quantitative importance assessments, allowing the Group to identify, prioritise and determine important issues.

Stakeholders	Communication Goals	Communication Methods/Channels
The government	• Fulfill the compliance requirements of regulatory bodies • Pay taxes according to law • Maintain good relationship with the local government • Promote employment • Pay taxes on time and in full	• Public consultations • Seminars • Reports • Online opinion surveys • Visiting
Customers	• Product quality and safety • Living Experience and Customer Service • Privacy • After-sale services	• Collect after-sale feedbacks • Listen to customer opinions and handle enquiries or complaints • Communication visits • Customer satisfaction survey • Customer communication meeting

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

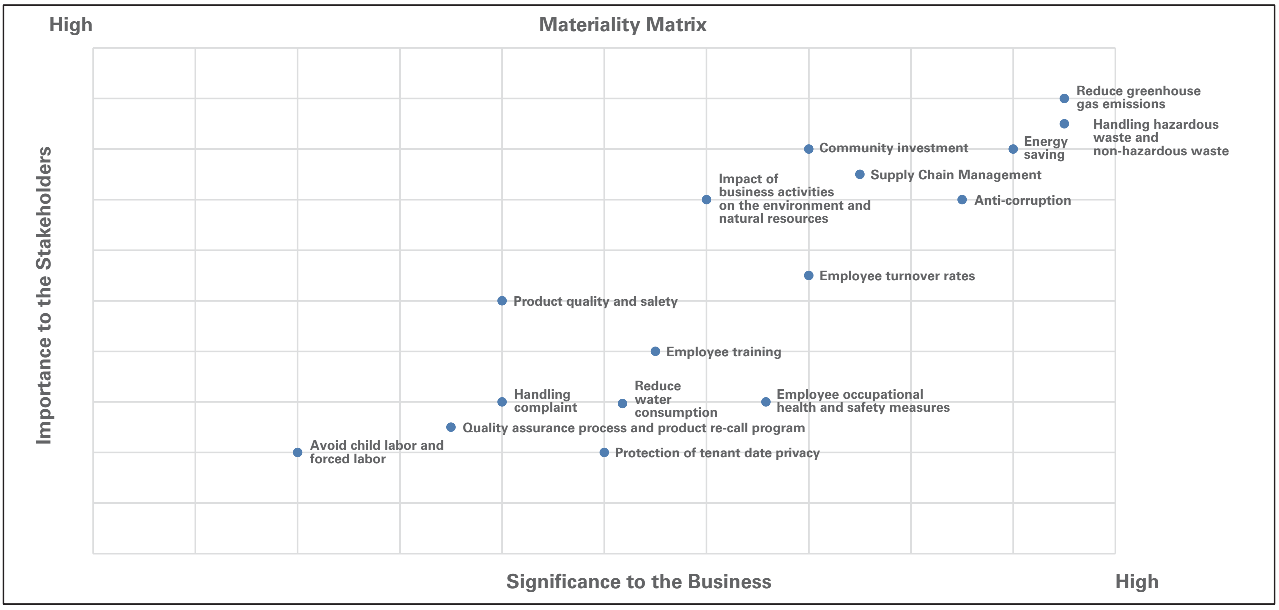
Stakeholders	Communication Goals	Communication Methods/Channels
Shareholders and investors	• Return on investment • Transparency of the Company's information • Protection of rights • Increase the Company's value • Realise information transparency and highly efficient communication	• General meetings • Annual and interim reports • Analyst meeting • Emails • Interviews with investors and conference calls
Employees	• Health and safety • Career Development • Training opportunities • Compensation benefits • Company culture	• Employees activities and mailboxes • Company's intranet • Online opinion survey • Continuously improve the training and development system • Create a competitive working atmosphere • Improve performance appraisal and compensation and welfare system • Psychological counseling
Suppliers and partners	• Transparent procurement process • Development opportunities • Business integrity • Performance of the contract	• Supplier performance review and evaluation • Increase information sharing • Online opinion survey
The community	• Energy saving • Public welfare • Community culture and services • Property safety management	• Organise social welfare activities • Practice corporate social responsibilities • Actively communicate with local government agencies • Integrate green concepts and elements in the design process

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Importance Assessment

The Group compiled a list of issues related to sustainable development based on its businesses and daily operations, and prioritised and used a matrix diagram setting out the results based on the importance analysis. The matrix diagram identified the important issues covered by this report which formed a basis for the Group's environmental management, social and governance matters and disclosure.

The results of the importance assessment are presented in the following materiality matrix diagram. The issue in the upper right corner is high importance to the stakeholders and will be able to strengthen the sustainable development of the business of the Group.



During the Reporting Period, the Group identified a total of 16 issues relating to sustainable development. The results of the above importance assessment indicated that reducing greenhouse gas emissions, handling hazardous waste and non-hazardous waste, energy saving and community investment are of higher importance. In 2019, we will focus more on the discussion of relevant issues by taking into full consideration of opinions from all stakeholders, communicating with them on an on-going basis and practically improving our long-term development strategies to effectively address the matters concerned by our stakeholders.

The following section sets out how these important issues are addressed.

Matter related to sustainable development by categories	No.	List of issues
Environment	1	Reduce water consumption
	2	Handling hazardous waste and non-hazardous waste
	3	Energy saving
	4	Reduce greenhouse gas emission
	5	Impact of business activities on the environment and natural resources
The society – Employment and Labour Practices	6	Employee training
	7	Employee turnover rates
	8	Employee occupational health and safety measures
	9	Avoid child labor and forced labor

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Matter related to sustainable development by categories	No.	List of issues
The society – Operating Practices	10	Anti-corruption
	11	Protection of data privacy
	12	Handling complaint
	13	Supply Chain Management
	14	Product quality and safety
	15	Quality assurance process and product re-call program
The society – Community Investment	16	Community investment

MAJOR ISSUES AND THE KEY PERFORMANCE INDICATORS OF CORE BUSINESS IN RELATION TO ENVIRONMENTAL MANAGEMENT, SOCIAL RESPONSIBILITY AND GOVERNANCE

About the Environment

Upholding the philosophy of sustainable development, Kaisa is committed to driving various environmental policies in office and property development projects, identifying and reducing the impact on the environment caused by operating activities. In the course from planning, design, construction to practical operation, the Group is dedicated to implementing different environmental protection measures, for instance, the use of energy-saving materials, rainwater collection systems and highly efficient lighting systems in its construction projects, which aimed at applying the principle of reducing emissions and the good use of energy in every operating detail. The Group is also committed to cultivating environmental awareness to employees of all seniorities, encouraging them to build an environmental habit of energy-saving at work, achieving their cohesion to make a concerted effort to facilitate sustainable development of the Group, which is our operating philosophy.

A1. Emissions

Greenhouse gases and other air pollutants

In order to lessen the impact on the ecological environment caused by corporate development, Kaisa adopted various effective energy-saving and emission reducing management policies to reduce greenhouse gas and other air pollutants emissions. In order to further increase energy efficiency, the Group installed LED sound-activated lights in basements and between stairs to meet the normal illumination conditions, which aimed at reducing carbon emission in offices. The Group encouraged employees not to use air conditioners in some offices to reduce the energy consumption and alleviate the burden imposed on the environment. Furthermore, the Group vigorously promoted the environmental principles to reuse, recycle and make full use of resources, encouraging employees to reduce the use of disposable plastics, such that air pollution in the environment in the course of plastics waste treatment can be alleviated.

The following information is the greenhouse gas and other air pollutants emitted by the Group during this Reporting Period:

Greenhouse Gas	Unit	Emissions
Scope 1 – Direct Emissions (greenhouse gas emissions)		
Carbon dioxide emissions	Kilograms	4,657,487
Density	Kilograms/unit of output	325.47
Scope 2 – Indirect emissions (indirect greenhouse gas emissions from energy consumption)		
Carbon dioxide emissions	Kilograms	24,197,436
Density	Kilograms/unit of output	1,690.95
Scope 3 – Other indirect greenhouse gas emissions		
Carbon dioxide emissions	Kilograms	405,551
Density	Kilograms/unit of output	28.34

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Other air pollutants	Source	Unit	Emissions (By regions)				
			Pearl River Delta	Yangtze River Delta	Central China	Pan-Bohai Bay Rim	Total
Sulfur dioxide	Gas fuel	Kilograms	111,514	2,339	–	–	113,853
	Diesel	Grams	4,878	–	1	–	4,879
	Gasoline	Grams	21,029	72	3	148	21,252
Nitrogen oxides	Gas fuel	Kilograms	22,414,234	489,347	–	–	22,903,581
	Vehicles	Grams	434,929	64,235	592	35,714	535,470
Particulates	Vehicles	Grams	34,532	6,090	53	3,422	44,097

Wastes

The Group actively worked closely with contractors and construction workers to carry out various favourable measures to the reduction of waste disposal during the course of construction, including the separation and recycling of wastes such as waste paper, steel, and glass from the construction site and reuse of temporary railings and windows to reduce waste disposal effectively. The Group further implemented a plan of reducing waste disposal in some offices, which includes the use of autoclaved aerated concrete blocks as construction blocks to reduce the use of burning clay bricks; centralized processing of construction materials to improve utilization; the use of reversible aluminum alloy templates instead of wood templates to reduce logging; requirement of centralized stacking and regular clean-up of solid waste by the construction unit in accordance with the relevant local regulations. Information of the Group's wastes generated during this Reporting Period is as follows:

Type of Wastes	Total Volume (Tons)	Density
Hazardous waste	Nil	Nil
Non-hazardous waste	446,136	31.17

A2. Use of Resources

Energy consumption

Kaisa has always supported and executed management strategies of the good use of resources. For property development business, the Group implemented various environmental measures in construction design and construction, including adopting the construction design of natural ventilation and natural light to reduce energy consumption. For daily operation, the Group installed highly efficient lighting systems in its office building and LED sound-activated lights in basements and between stairs, achieving the objective of reducing electricity consumption and thus energy consumption.

During the Reporting Period, the volume of diesel and gasoline consumed by the Group were approximately 303,080 litres and 1,445,689 litres respectively. The electricity consumed was approximately 21,599,913 kWh.

Energy	Consumption	Density
Direct Energy Consumption		
Fuel Consumption – Diesel (Litre)	303,080	21.18
Fuel Consumption – Gasoline (Litre)	1,445,689	101.03
Indirect Energy Consumption		
Total Electricity Consumption – (kWh)	21,599,913	1,509.43

Water Resources Processing

By both making use of a rainwater collection system and adopting the method of reuse of waste water at the same time, the Group reused the waste water after treatment. The use of reclaimed water not only can reduce the use of tap water but also alleviate environmental pollution caused by waste water. During the Reporting Period, the Group's total water consumption was approximately 8,015,066 tons.

Water Resources	Consumption	Density
Total water consumption (tons)	8,015,066	560.10

A3. Environment and Natural Resources

Continuous reduction of natural resources consumption is quite challenging for property development enterprises. Apart from strictly complying with environmental rules and regulations in relation to its business, the Group implemented environmental policies which were favourable to sustainable development in different work locations including offices and construction sites, so that every employee can practice the green concept and make contribution to environmental protection.

Green office

- Promoting the concept of paperless office while fully utilizing online office system;
- Adopting double-sided printing and reducing the font size before printing so as to reduce the usage of papers and toners;
- Advocating not to use air conditioners while fully utilizing sunlight and reducing switching on lights;
- Encouraging employees to use stairs and hence reducing the frequent usage of lifts; and
- Using LED energy-saving sound-activated lights to reduce electricity consumption.

Green construction

- Vigorously promoting the delivery mode of fine decoration and reducing the environmental pollution caused by secondary decoration;
- Taking measures such as soil cover and water sprinkling to reduce dust pollution at construction sites;
- Transporting materials during non-peak traffic hours to reduce the impact of large vehicles on urban traffic;
- Using energy-saving and reversible and reusable construction materials to reduce wastes;
- Entrusting professional firms to formulate soil and water conservation plans and monitoring procedures;
- Seeking the best approach for resources conservation through scientific management and technological advancement;
- Minimizing energy consumption through the regional sunshine planning, district-wide ventilation planning and noise reduction design; and
- Building noise reduction booths to reduce the impact on surrounding communities caused by construction noise.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance (the "ESG") Report provides the latest update on sustainability performance of the Group for the year ended 31 December 2018.

This report aims to set out the key ESG issues and initiatives of the Group and its core businesses, namely property development, property investment and property management, hotel and catering operations, cinema, department stores and cultural centre operations, and water-way passenger and cargo transportation operation. This report is prepared in accordance with Appendix 27 of the Listing Rules.

The Company believes that this Report enables the Company to disclose the information on the Group's sustainability matters to its stakeholders in a transparent and accountable manner. The Group is committed to making continuous contribution to the sustainable development of China, and meeting its business goals without compromising the needs of the environment and society.

We set out the following scope of reporting, based on the importance of each ESG area to the Group's business and stakeholders:

As a corporate citizen, the Group always sees corporate social responsibilities as its own mission and has been active and persistent in undertaking its corporate responsibilities through actions covering aspects of green and low-carbon constructions, products and services, charity activities, cultural and sports activities and caring for staff members.

ABOUT EMPLOYEES

B1. Talent Management

Adopting a people-oriented philosophy and holding talents in high regard, Kaisa always considers creative, self-disciplined and committed staff members as the greatest asset of the Company. The Group emphasises the recruitment, retention, nurturing and development of talents and achieves a "win-win situation" in corporate and staff development by enhancing the communication with staff members through various activities.

Staff Overview

As of 31 December 2018, the Group hired 14,310 staff members in the PRC and Hong Kong. From 2016 to 2018, the Group was awarded as "China's Best Employer" jointly assessed by the Centre of Social Research of Peking University (北京大學社會調查研究中心) and Zhaopin.com for three consecutive years.

Number of employees by gender, region, type of engagement and age

	Gender		Age				Type of engagement
By region/group	Male	Female	30 or below	31-40	41-50	51 or above	Full-time
Hong Kong	27	18	21	19	4	1	45
Mainland China	9,524	4,741	7,043	5,387	1,457	378	14,265
Headquarters	205	100	119	150	20	16	305
Property Development group	1,893	829	1,172	1,416	116	18	2,722
Property Management group	5,309	2,545	3,848	2,627	1,087	292	7,854
Other subsidiaries	2,117	1,267	1,904	1,194	234	52	3,384
Total	9,551	4,759	7,064	5,406	1,461	379	14,310
Percentage	66.74%	33.26%	49.36%	37.78%	10.21%	2.65%	100.00%

[1] Staff turnover rate = (No. of staff lost) ÷ (total no. of staff)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Staff turnover by gender, region, type of engagement and age

By region/ group	Gender		Age				Type of engagement
	Male	Female	30 or below	31-40	41-50	51 or above	Full-time
Hong Kong	6	3	2	3	2	2	9
Mainland China	1,893	1,186	1,762	1,186	108	23	3,079
Total	1,899	1,189	1,764	1,189	110	25	3,088

During the Reporting Period, 3,088 employees departed the Group and the staff turnover rate[1] was 21.58% for the year.

Staff Communication

As an advocate of a straightforward, effective, humble and diligent corporate culture, the Group has minimised bureaucracy in its internal communication, and streamlined meetings and activities. Staff members at all levels have equal right to voice out their views and suggestions about work through the following channels:

1. Providing, among others, an anonymous mailbox, phone number and instant messaging on the homepage of the Company;

2. "Face-to-face with the senior management" meetings organised on a regular basis;

3. Conducting quarterly appraisals of staff members and holding the corresponding performance interviews to provide a communication channel;

4. Unofficial channels of communication, such as gatherings among departments, and cultural, sports and social activities.

Staff Recruitment, Remuneration and Benefits

The Group followed the principle of "open, just and fair" in respect of recruitment by adopting the same standard and selecting process, fighting against sexism and promoting gender equality. Open recruitments are held to select candidates regardless of their qualifications, origins and background. All candidates must undergo different examinations required under the Group's recruitment principles and will only be employed after passing such examinations. Corporate culture and values are the Group's primary recruitment principles. Competence is the main criteria while potential for future development will also be considered. The Group also strived to maintain the remuneration offered by it at a market-competitive level, adjusted the remuneration and incentives based on staff appraisal annually and provided a comfortable and safe working environment as well as various staff benefits and protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2. Health and Safety

Kaisa is committed to providing its staff with a safe work environment. During the Reporting Period, the number of staff members involved in work-related deaths was zero.

With regard to project construction, in addition to its strict compliance with the relevant laws and regulations of the national and local governments on construction safety, the Group has also adopted numerous measures at the levels of system management and actual operation to prevent risks and ensure the safety of the personnel on construction sites. These measures include:

1. Preparing and updating documents such as the Measures on Safety Management of Kaisa Property Development Group (《佳兆業地產集團安全管理辦法》) and Guidelines on Safe and Civilised Construction of Kaisa Property Development Group (《佳兆業地產集團安全文明施工指引》) to standardise the safe and civilised construction for construction projects, and to identify the relevant responsibilities in safety management;

2. Preparing specific project work plans and arranging project inspection, rectification and improvement measures in the event of major festivals and holidays, severe weather conditions or emergency;

3. Stepping up the safety education for the frontline project personnel and raising their awareness of safety issues through training;

4. Organising cross learning sessions for staff members to go through case studies on sound safety management for self-examination and improvement;

5. Inspecting potential hazards in construction projects in progress through monthly inspections, and supervising the implementation of rectification and improvement measures;

6. Instantly following up on the status of project safety management through reporting mechanisms such as filing monthly safety reports;

7. Tracking the status of how project safety incidents are addressed, and reporting any update in a timely manner;

Kaisa has put in place a thorough system safeguarding the interests of staff members injured at work. On top of the "Five Social Insurances and One Housing Fund" (五險一金), the Group has arranged commercial accident insurance and regular body checks for its staff members. In the event that a staff member of the Group injures while on duty, the Group will promptly send the injured staff member for medical care, follow up by visiting the injured staff member, and prepare the relevant materials and report in a timely manner to document the work-related injuries. The Group also applies for benefits in the form of consolation money on behalf of injured staff members in accordance with the national laws and regulations, as well as the Company's benefits policy.

In order to encourage its staff to have a healthy work-life balance, the Group invites all staff to do exercises, as well as set up various clubs including the fitness club, football club, badminton club and basketball club, letting staff to join according to their interest.

B3. Development and Training

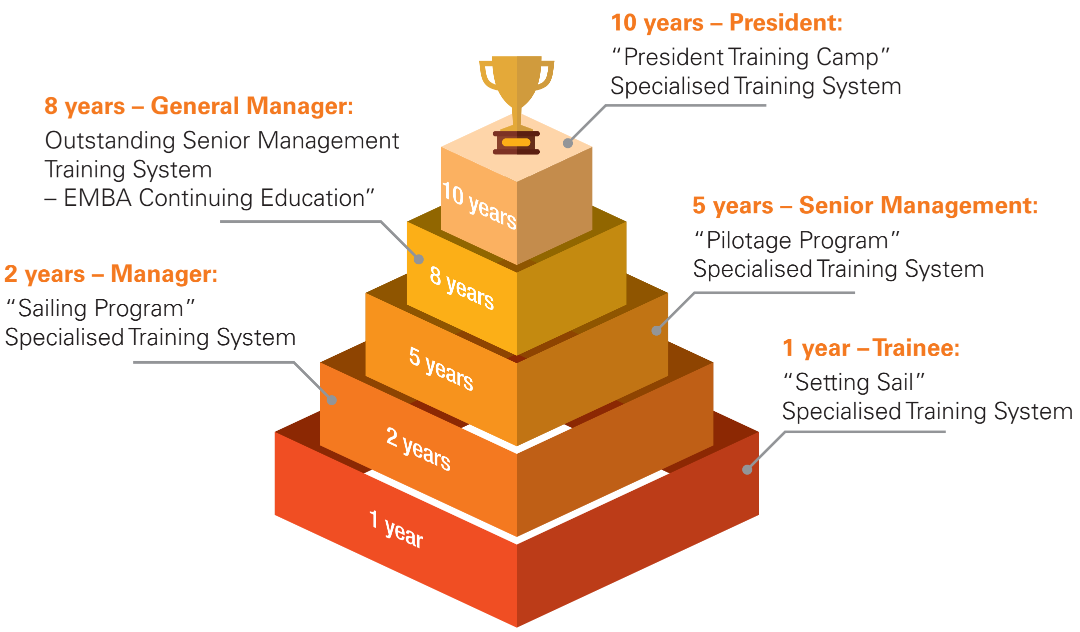
As Kaisa always regards talents as its premier resources for development, it employed a wide range of professionals with various knowledge and skills and provided them with incentive and challenging jobs and environment, training and learning opportunities as they move along their career path, industrial-competitive remuneration package and rich variety of leisure activities.

For employee training, the Group formulated a wide variety of training contents based on employees' needs in different stages of career development. Employees may solidify their professional skills through online learning, experiential learning and job rotation training. During the Reporting Period, the Group held a total of 658 training projects and provided approximately 2,798 hours of training in aggregate with 33,455 participants.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Kaisa considers talents as the cornerstone for the Group's development. While recruiting from society, the Group also develops and expands its own operational team by actively nurturing fresh graduates. Since the establishment of Kaisa New Generation as a campus recruitment brand in 2003, the project has been running for 16 years and has formed a sophisticated nurturing and promotion system for Kaisa New Generation. During the Reporting Period, the Group recruited at top-notch domestic and overseas universities, including Tsinghua University, Peking University, Wuhan University, Fudan University, Zhejiang University, Tongji University, University of Hong Kong, Hong Kong University of Science and Technology, Columbia University, University of Pennsylvania, Cornell University, Imperial College London, London School of Economics and Political Science and University of Edinburgh, bringing in 170 new members of Kaisa New Generation in disciplines including finance, accounting, law, human resources, marketing and civil engineering for the Group's development. Having gone through a series of on-job training and gained hands-on experience, the members of Kaisa New Generation turned into the main force driving the operation and development of the Group.

Development Journey of Kaisa New Generation



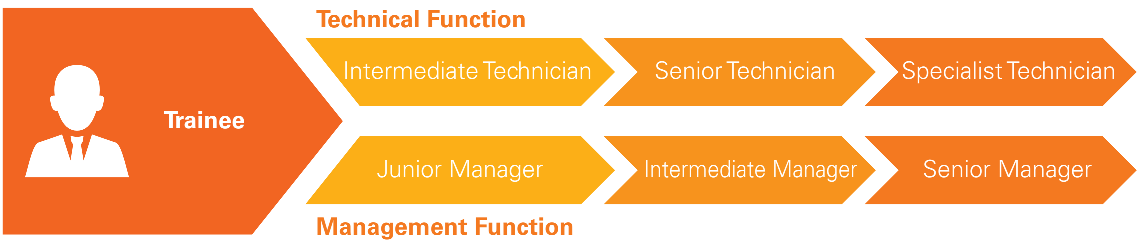
Example – Talent management of Kaisa

Kaisa attaches great importance to staff training and intends to cater to the Group's current and future development needs through providing training while pass on current experience and skills to benefit its employees from training. In this regard, in 2009, the Group set up Kaisa College to conduct project coordination, implement talent training and construct a talent training base to enhance employees' competence and capability and achieve mutual development of the Company and its employees.

For career development, the Group created two parallel career paths comprising management function and technical function for all staff. These two career paths offer equal development opportunities and remuneration package. Employees may choose their own development direction based on their own characteristics, individual career development and job requirements. They are also allowed to switch between these two career paths based on their own wishes to revise their career paths and achieve career advancement through performance assessment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Parallel channels for Career Advancement for Kaisa New Generation



In addition, Kaisa has also established a four-level talent training system to provide systematic training for Kaisa New Generation, potential personnel, elite personnel and outstanding management members.

Four-Level Talent Training System

Training for Kaisa New Generation	• Training and job rotation will be centrally arranged by the human resources department for university students in their first 3 years in the Group. • Training will be divided into three stages based on the employment date, namely, setting sail program (first year), sailing program (second year) and pilotage program (third year).
Training for potential personnel	• To help selected potential personnel in building up management awareness, improving their working efficiency, self-management and team management ability and prepare themselves for promotion to the mid-level management. • Divided into talent with high potential (officer level) and candidates for manager post (manager level) based on their positions.
Training for elite personnel	• Training will be provided to candidates who are listed on the Group's elite personnel list every year to instill the concept of overall viewpoint, enhance leading ability and acquire management concept and techniques.
Training for outstanding management members	• To enhance senior management members' ability of corporate establishment and development and ability of strategic management. The training mainly covered team leadership, coaching skills, strategy and management and delicacy management. • Training for outstanding senior management are divided into mountaining program (攀峰行動), reaching-the-top program (巔峰行動) and over-the-top program (越峰行動) based on their ranks.

B4. Labour Standards

Prevention of Child Labour or Forced Labour

As for prevention of child labour or forced labour, the Group ensures that applicants have the rights to be interviewed and apply for a job voluntarily. Meanwhile, it sets up a set of strict approval procedures for labour employment. Before employment, all sorts of credentials and information should be well prepared for strict inspection and the employment should obtain approval from all levels of management so as to effectively avoid child labour or other non-standard labour employment. The Group also complies with equal and voluntary labour employment principle. When signing contracts or agreements with employees, the Group will completely and accurately convey necessary statutory information such as working location, duration and salary. Both sides shall sign labour contract or agreement under the voluntary principle in order to avoid forced labour.

CORPORATE SOCIAL RESPONSIBILITIES

B5. Supply Chain Management

Through close cooperation with its suppliers and contractors, the Group is committed to providing its customers with highly-efficient and high quality products and services, and establishing a stringent system and standardised process in respect of supply chain management, product quality assurance and anti-corruption. It also requires its employees to comply with the Group's anti-corruption and anti-bribery policies to avoid non-compliance at all times.

The Group required that any purchase must be conducted in an open and transparent manner and within the terms of reference to prevent black box operation. All personnel engaged in procurements must strictly comply with the regulations and uphold integrity and must not take advantage of their positions for personal gains. A person having an interest with the tenderer is required to avoid from participating in the relevant procurements and shall declare to the relevant procurement department. No one shall interference or affect the objectivity and fairness of the procurements.

Tendering documents, information of the tender, the confidential bottom price or estimated price, assessment standards, tender price, and the relevant tendering conference or resolutions shall be kept strictly private and confidential and shall not be disclosed regardless of whether the tendering is finalised or not. Prior to the completion of the assessment of the tender, no one shall disclose, indicate or undertake its tendering intention.

B6. Products Responsibility

Quality Management

Upholding the principles of "quality as our lifeline" and "customer value-oriented", Kaisa regards industry's highest standard as its standard for quality and services. This is not only the basic principle for all business segments of the Group, but also the foundation of the Group's operation. The Group offered high-quality products and services through refined and detailed requirements, standardised protection mechanism and stringent control measures. With its never-ending pursuit of high-quality products and services, the Group retained a large number of loyal customers and wide recognition in the industry.

The activities relating to products and services of the Group during the Reporting Period are set out as follows:

Third-party assessment: The Group introduced third-party assessment units to make quarterly inspections of projects under construction and under management, which mainly include: unannounced inspection on quality and safety, pre-delivery assessment before moving in and semi-annual assessment after moving in. Meanwhile, the purchasing and quality management department of the Group carried out a number of quality and safety specialised inspections, which effectively complemented the third-party quarterly inspections to prevent the emergence of systemic risks. By implementing third-party quarterly inspections, intra-group multi-department joint unannounced inspection as well as quality and safety specialised inspections, the quality risks affecting customers' satisfaction were lowered effectively, the quality of delivered products and reputation were enhanced and the comprehensive assessment score of projects under construction in 2018 achieved the industry's standards of excellence.

Information construction: The Group has been continuously optimising and upgrading the information system and has unified the basic data platform of each business system, and hence data accuracy was improved and analysis could be made conveniently. During the Reporting Period, Kaisa Property Group launched the business systems "quality inspection system" and "order dispatch system", and upgraded them to the Ksaas system, which is connected to other business systems of the Group such as K Services and K Life, realising data exchanges between customer services and internal management. By establishing a big data information monitoring centre and integrating the key data of each business system, the Group achieved real-time monitoring and realised data integration of six major systems, three-level business data management as well as hierarchical authorisation management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Implementation of three-level management: Business management of Kaisa Property Group are conducted at the group, branch and project levels. During the Reporting Period, the Property Group was gradually transforming from business management to strategic planning, management in order to meet the needs of accelerating development and scalable expansion after entering the capital market. The Group has clearly divided the business management and development functions of the branches, and optimised the three-level management and responsibility system comprising the group, branch and project levels, under which, planning, coordination and assessment are implemented at the group level; planning, organisation and development are implemented at the branch level; execution, innovation and collection of feedback are conducted at the project level, forming the cores of the business operation and maintenance model.

On-site surveillance system: The "Eagle eye systems", which cover all key positions and monitor site activities, were upgraded to extend the coverage to hidden areas such as back staircases, refuse area and all key areas for serving customers in order to ensure that on-site service quality can be monitored, identified and enhanced in real time. Under the theme of "Quality Improvement Year", in 2018, Kaisa Property Group launched nationwide campaigns such as "Brightening Action", "Toilet Revolution", "Beautifying Kaisa Properties" and "Listen and Inspect Thrice" to comprehensively improve both hard and soft services such as mainstream lines, hidden areas, customer services based on customers' needs.

Differentiated management: During the Reporting Period, on the basis of continuous launching and management of projects according to the star-rating, the Property Group formulated staff handbooks for all staff at frontline positions. The Group compiled different handbooks for different positions, which are is in the form of both pictures and texts, and streamlined, summarised and integrated the key points of management systems and operational standards, achieving standardisation of soft services. The "Benchmarking" quality campaign was launched during the year and identified eight benchmarking projects in each business segment of each branch. By promoting the excellent practice of formulating localised measures according to regional conditions, the Group fanned out from point to area in fostering the overall improvement in quality.

Advanced level of regulation: Kaisa Property Group revised four guidance documents for standards, namely, Service Handbook of Positions for elementary positions, List of Job Duties, Business Risk Management Measures of Kaisa and Document of Cultural and Sports Venue System for project managers and those in charge of job functions, to optimise documents concerning the skills of elementary positions as well as the rights and responsibilities, risk control and business development of key positions. The Group organised training for staff at all levels and launched six special training camps such as the "quality navigator camp", "project manager training camp" throughout the year and a "skills competition" for elementary employees, and thereby the management system was materialised by means of training and skills competitions.

CUSTOMER PRIVACY PROTECTION

Kaisa is committed to implementing strict protective measures to protect customer data privacy. All personnel who have access to customer data in the course of performance of their duties are only allowed to use such customer data for business and customer service purposes. Without permission from his/her supervisors, no one shall transfer any customer data to other departments within the Group, provide to cooperative manufacturers, take the data out of the company or upload such data to the internet. All confidential customer data must be destroyed by the relevant personnel on a timely basis to avoid customer data loss or leakage and to keep customer data strictly confidential.

B7. Anti-Corruption

The Group's audit monitoring department has optimised and adjusted the organisational structure and functions to strengthen its audit techniques and capacity and maintain consistent internal supervision capacity, ensuring the standard, efficiency and integrity in the Company's operation.

In terms of system setup, the Group revised and optimised the audit monitoring system by introducing an assessment with reward and punishment and internal disciplinary system to further regulate audit monitoring work and process. The Group rewarded whistleblowing and provided protection to whistleblowers in a systematic manner to ensure the smoothness and high efficiency of whistleblowing channels. In addition, the Group enhanced the respective systems of each business units by making reference to the issues identified in routine audit, analysing reasons and advising on system rectification and establishment. Material bribery and corruption incidents are prevented through system enhancement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To promote integrity education, the Group set up a WeChat official account and whistleblowing platform, increased integrity seminars and educational activities to raise staff's awareness of integrity and anti-corruption and provided its staff with guidelines on the appropriate handling procedures for the gifts and presents given by its cooperative entities or related parties. The Group adopts a zero tolerance approach towards any violation of integrity. In the event of any corruption or bribery, it will strictly investigate, punish and refer the case to a judicial authority to take necessary procedures against the involved parties for legal responsibility.

During the year ended 31 December 2018, the Group is not aware of any breach of laws and regulations that may have a significant impact on the Group relating to anti-corruption.

B8. Community Engagement

Motivated by a strong sense of social responsibility, since its establishment, Kaisa has been fulfilling its corporate social responsibilities by actively participating in and supporting all kinds of social services including education, medical care, environmental protection, sports and culture.

Kaisa has been always prepared to fulfill corporate social responsibility and has already set up a comprehensive charity platform. In May 2011, the Group established a charity platform comprising Kaisa Public Welfare Foundation (佳兆業公益基金會), Kaisa Medical Workers Caring Fund (佳兆業白衣天使基金), Kaisa Yushu Education Fund (佳兆業玉樹助學基金) and Kaisa Sanitation Workers Caring Fund (佳兆業環衛工關愛基金). Through a regular, systematic and standardised mechanism and leveraging Kaisa's brand influence, the Group strives to facilitate the development of public welfares.

As of 31 December 2018, the Group has sponsored more than 80 charitable projects. Since 2010, Kaisa has participated in the "Poverty Alleviation Day" in Guangdong for nine consecutive years, helping over 40 poor villages in cities of Heyuan, Jiangmen, Maoming, Zhanjiang, Chaozhou and Jieyang. In the 2018 Guangdong Poverty Alleviation Day cum Rural Rejuvenation Event – 10,000 Enterprises Assisting 10,000 Villages, Kaisa pledged a donation of RMB120 million for supporting the poor in the Guangdong province to get rid of poverty. This is the second time that Kaisa helps to fight poverty after donating RMB100 million in 2017. Such amount was the largest one-off charitable donation in the history of the Group.

Kaisa's efforts in charity have gained wide recognition from the community. During the period, the Group was granted "2017-2018 China Annual Benchmark Real Estate Development Enterprise", "2018 TOP10 China's Real Estate Development Enterprises in Social Responsibility", "Top Ten Caring Events" in Shenzhen, "First Batch of Influential Enterprises in Precise Poverty Alleviation Award".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Example: Kaisa's Effort in Poverty Alleviation

Under the initiative and support of Guangdong Provincial Poverty Alleviation and Development Office and Huizhou Poverty Alleviation and Development Office, Kaisa Group has selectively helped six impoverished villages in Longmen County, Huizhou since November 2017. By adopting the self-donated and self-developed EPC poverty alleviation model, Kaisa participated in the whole process of project planning, design, bidding, construction and handover. Such a model allows enterprises to give full play to their flexibility and superiority. By adopting modern enterprise management model and integrating various resources of the enterprises, the Group has promoted a pleasant rural construction rapidly and effectively with high quality.

Self-donated and Self-developed Model Facilitated the Launch of 80 Projects in Six Villages

In regard of the poverty alleviation model, Kaisa Group adopted the poverty alleviation model of "self-donated and self-developed", which means that a company is entrusted by the property owner to participate in the whole process of design, procurement, construction and trial operation of the construction project according to the contract. On the one hand, with nearly 20 years of experience in modern enterprise management, Kaisa ensures that the poverty alleviation funds will be used for prescribed purposes. On the other hand, it is also a chance for the Group to better fulfill its social responsibilities by participating in poverty alleviation.

According to the plan, Kaisa Group has currently a total of 80 infrastructures and public facilities under construction. Key projects benefiting citizens include a total of 15 new and reconstructed rural roads with a total length of approximately 43 kilometers; 65 renovated houses for poor villagers; 1 nursing home; 4 rural sanitary stations; 12 sewage treatment facilities; 3 tap water reconstruction projects, 6 new public toilets, 4 bridges and 2 renovated kindergarten and primary school.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Poverty Alleviation Through Empowerment Resulted in Profit Sharing in Poor Villages for the First Time

Industrial poverty alleviation is the key to poverty alleviation. By combining the industrial positioning of Longmen County, the current situation of impoverished villages and its own advantages of being an enterprise engaging in poverty alleviation, Kaisa Group enhanced the value and efficiency of rural agriculture with a closed-loop model of "poverty alleviation companies + professional agricultural enterprises + farmers' cooperatives + sales platform of Kaisa". Kaisa developed high-quality agricultural products such as organic rice and tourist orchards, and through intensive transference of land, cooperatives are formed to allow farmers to generate income from three sources, namely land rental, labour remuneration and sharing of profits. The production value of land is also enhanced.

By consolidating its own superior resources, Kaisa Group is endeavoring to build two industrial demonstration bases in impoverished villages. Among them, the "Organic Rice Planting Demonstration Base" is built in Xipu Village. Through organic planting and duck-and-rice agriculture, rice yield per acre increased from RMB2,000 per year to RMB12,240 per year. The base has commenced production, and impoverished villages have received the share of profits for the first time.

For Shangdong Village, which has more pieces of wasteland, Kaisa has integrated 65 mu of wasteland, and donated and built a high-standard greenhouse with an area of 30 mu, which will be developed into a tourist orchard, bringing a huge profit to the village and at the same time attracting over 10,000 tourists to Shangdong Village every year for sightseeing and consumption. Currently, the project is basically completed construction and is under preparation for production. It is expected that impoverished villages can share the profits next year.

In the future, the focuses of Kaisa's poverty alleviation work are to promote the organic connection between poverty alleviation and rural rejuvenation and to build a national rural complex which features a modern agricultural industrial park for poor areas.

Example: Educational Investment

As an enterprise which always sees fulfilling social responsibility as its own duty and continuously takes concrete action to contribute to social welfare, Kaisa has never stopped its devotion to education charity. In March 2018, Kaisa Group donated RMB20 million to Shanghai Tongji University Education Development Foundation to support school scientific research and education, and strengthen exchanges and visits among Hong Kong, Macao and Taiwan as well as innovative businesses.

In May 2018, Kaisa Commercial Group and Xinjudi Bookstore jointly organised the "Send Your Love and Warmth by Books" campaign. Nearly 600 books and related materials were donated to Yangjiang Yunlian Primary School. Yangjiang Yunlian Primary School is located in a remote mountainous area, where cultural products are scarce. This campaign aims to provide better learning conditions for rural children by means of charitable poverty alleviation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Example: Sports and Culture

As a city operator which always strives for improving living environment and promoting the well-being of the livelihood, in terms of charity work, Kaisa took actual actions to promote charity business by aggressively exploring, innovating and promoting charity activities in a green, environmental friendly and healthy manner.

Dapeng International Outdoor Carnival was the first brand event of tourism and culture in Shenzhen which features outdoor sports. The 7th Shenzhen Dapeng International Outdoor Carnival in 2018 was hosted by Kaisa Group Holdings Ltd., and organised by Kaisa Culture and Sports Group and Kaisa Golden Bay International Park Company. The theme of this year's carnival was "Facing the sea, Heading to the Future". Between 23 September and 1 December, 11 exciting events with different themes were organised in Golden Bay in Dapeng New District, Jiaochangwei, Dapengsuocheng, Qixingwan and Huanle Bay to bring the public exciting sports, culture, music and innovative charity events in eastern Shenzhen.

As a large-scale private integrated operator of sports and gym complex in China, Kaisa Culture and Sports Group successfully operated 11 landmark culture and sport stadiums in seven cities, including Shenzhen Universiade Sports Centre, Shenzhen Nanshan Sports and Cultural Centre, Shenzhen Guanlan Sports Park, Shenzhen Yantian Swimming Centre, Foshan Gaoming Sports Centre, Huizhou Zhongkai Sports Centre, Guangxi Guigang City Sports Centre and Jiangsu Nantong Haian Sports Centre, Zhejiang Huzhou Zhili Cultural and Sports Centre and Wuhan Wuhuan Sports Centre.

To actively assume social responsibilities, sport stadiums operated by Kaisa are open all year round to provide the general public with fitness services including soccer, badminton, table tennis, basketball, swimming, volley ball and tennis. As of now, these stadiums offered free access to facilities to more than 1,600,000 people and organised nearly 200 large-scale charity activities. Kaisa Culture and Sports Group incorporated the spiritual pursuits of the enterprise into the value chain of charitable events to realise a healthy and sustainable development.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2018.

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board will strive to uphold the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders of the Company.

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board with regular assessments. The Company believes that its commitment to high-standard practices will translate into long-term value and ultimately maximise returns to shareholders. The Company's management pledges to build long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as its own code to govern its corporate governance practices. The Company was conducting its business according to the principles of the CG Code set out in Appendix 14 to the Listing Rules.

For the year ended 31 December 2018, the Company complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Due to their other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, and the independent non-executive Directors of the Company, Mr. RAO Yong and Mr. LIU Xuesheng, were unable to attend the annual general meeting of the Company held on 11 June 2018.

Due to their other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, and the independent non-executive Directors of the Company, Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. LIU Xuesheng, were unable to attend the extraordinary general meeting of the Company held on 21 November 2018.

(A) THE BOARD OF DIRECTORS

Board Composition

The members of the Board during the financial year under review were as follows:

Members of the Board

Executive Directors:

Mr. KWOK Ying Shing
Mr. SUN Yuenan
Mr. ZHENG Yi
Mr. MAI Fan
Mr. WENG Hao (appointed on 4 January 2019)
Mr. ZHANG Jianjun (appointed on 20 March 2018 and resigned on 4 January 2019)
Mr. YU Jianqing (resigned on 16 January 2018)

Non-executive Director:

Ms. CHEN Shaohuan

Independent non-executive Directors:

Mr. ZHANG Yizhao
Mr. RAO Yong
Mr. LIU Xuesheng

After the end of the financial year under review, the following changes in composition of the Board took place:

Dates	Particulars
4 January 2019	Mr. ZHANG Jianjun has resigned as an executive Director
4 January 2019	Mr. WENG Hao has been appointed as an executive Director

Biographical details of the Directors and the senior management of the Company are disclosed in the section headed "Directors and Senior Management" of this annual report. Save as disclosed in the such section, to the best knowledge of the Company, there are no relationships (including financial, business, family or other material relationships) among the directors and senior management.

For the year ended 31 December 2018, Mr. YU Kwok Leung, the company secretary of the Company, received not less than 15 hours of relevant professional training to update his knowledge and skills.

As at 31 December 2018, the Board consisted of nine Directors including Mr. KWOK Ying Shing (chairman), Mr. SUN Yuenan, Mr. ZHENG Yi, Mr. MAI Fan (chief executive officer) and Mr. WENG Hao as the executive Directors, Ms. CHEN Shaohuan as a non-executive Director and Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. LIU Xuesheng as the independent non-executive Directors. The overall management of the Company's operation is vested in the Board.

CORPORATE GOVERNANCE REPORT

Directors' Responsibilities

The Board takes on the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, risk management and internal control systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As of 31 December 2018, the Board comprised nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. Their names and biographical details are set in the section entitled "Directors and Senior Management" in this annual report.

All Directors have full and timely access to all relevant information about the Company so that they can discharge their duties and responsibilities as Directors. In particular, through regular Board meetings and receipt of regular financial and business updates, all Directors are kept abreast of the conduct, business activities and development, as well as regulatory updates applicable to the Company.

Liability insurance for Directors and members of the senior management of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Delegation by the Board

The management, consisting of the executive Directors of the Company along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2018.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees of the Group, who are likely to be in possession of inside information of the Company.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2018, in order to reinforce their respective independence, accountability and responsibility, Mr. KWOK Ying Shing acted as Chairman and Mr. MAI Fan acted as Chief Executive Officer during the year.

The chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company. Under code provisions A.2.1 and A.2.2 of the CG Code, the chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the chief executive officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The chief executive officer is also responsible for the Group's day-to-day management and operations and the formulation of the organisation structure, control systems and internal procedures and processes of the Company for the Board's approval.

CORPORATE GOVERNANCE REPORT

Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decision. They bring an impartial view on the Company's strategies, performance and control.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

The Board also considers that the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

For the year ended 31 December 2018, the Company has received an annual confirmation of independence from each independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Directors. Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive Directors of a listed issuer must represent at least one-third of the Board of such listed issuer. The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules.

Board Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. Meeting agenda for regular meetings are set after consultation with the Chairman. All Directors are given an opportunity to include matters in the agenda.

At least 14 days' notice will be given for a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given.

For the year ended 31 December 2018, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

All Directors are provided with relevant materials relating to the matters in issue in advance before the meetings and have the opportunity to include matters in the agenda for Board meetings. They can separately get access to the senior executives and the company secretary at all time and may seek independent professional advice at the Company's expense. Minutes of board meetings and meetings of Board committees are kept by the company secretary of the meeting and such minutes are open for inspection at any reasonable time on reasonable notice by any Director. Pursuant to code provision A.1.5 of the CG Code, minutes of Board meetings and meetings of Board committees record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

Other than regular meetings, the Chairman also meets with non-executive Directors (including Independent non-executive Directors) without the presence of executive Directors, to facilitate an open discussion among the non-executive Directors on issues relating to the Group.

Pursuant to code provision A.1.7 of the Code, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by way of a physical meeting, rather than a written resolution. Independent non-executive Directors who have no material interest in the transaction would be present at such Board meeting.

The Board procedures are in compliance with the Articles, as well as relevant rules and regulations. For the year ended 31 December 2018, there were no significant changes to the Articles.

CORPORATE GOVERNANCE REPORT

Appointment, Re-election and Removal of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term of three years. Such term is subject to his re-election by the Company at an annual general meeting ("**AGM**") upon retirement. The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the members of the Company and shall then be eligible for re-election at such meeting. Besides, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

In accordance with the Articles, at every AGM of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and being eligible offer themselves for re-election. In accordance with Article 84(1) of the Articles, Mr. KWOK Ying Shing, Ms. CHEN Shaohuan and Mr. RAO Yong shall retire by rotation at the forthcoming AGM and each of them, being eligible, would offer themselves for reelection at the forthcoming AGM.

In accordance with Article 83(3) of the Articles, Mr. WENG Hao shall hold office until the forthcoming AGM, and being eligible, would offer himself for re-election at the forthcoming AGM.

The members of the Company may, at any general meetings convened and held in accordance with the Articles, remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles or in any agreement between the Company and such Director.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or alternative Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

Briefings on directors' duties were given to the newly appointed executive Directors.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2018, the Directors also participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. KWOK Ying Shing	B
Mr. SUN Yuenan	B
Mr. ZHENG Yi	B
Mr. MAI Fan	B
Mr. WENG Hao (appointed on 4 January 2019)	B
Mr. ZHANG Jianjun (appointed on 20 March 2018 and resigned on 4 January 2019)	B
Mr. YU Jianqing (resigned on 16 January 2018)	B
Non-Executive Director	
Ms. CHEN Shaohuan	B
Independent Non-Executive Directors	
Mr. ZHANG Yizhao	A,B
Mr. RAO Yong	B
Mr. LIU Xuesheng	B

A: giving talks at seminars and/or conferences and/or forums

B: reading newspapers, journals, Company's newsletters and updates relating to the economy, general business, real estate or Directors' duties and responsibilities, etc.

Board Diversity Policy

In 2013, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Board Committees

The Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Board and the Company's affairs. All Board committees are established with defined written terms of reference which are available to shareholders on the websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Nomination Committee and policy

The Nomination Committee is primarily responsible for, among other things, considering and recommending to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required.

CORPORATE GOVERNANCE REPORT

Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of Board composition and the management of Board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee will select and recommend candidates for directorship after consideration of referrals and engagement of external recruitment professionals, when necessary.

The composition of the Nomination Committee during the financial year under review was as follows:

Chairman:
Mr. KWOK Ying Shing, executive Director

Members:
Mr. ZHANG Yizhao, independent non-executive Director
Mr. RAO Yong, independent non-executive Director

The Nomination Committee was primarily responsible for the following duties during the year ended 31 December 2018:

- to review the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become Board members;

- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company; and

- to assess the independence of independent non-executive Directors.

In evaluating and selecting any candidate for directorship, the following factors would be considered:

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.

- Diversity in all aspects with reference to the Diversity Policy of the Board.

- Any measurable objectives adopted for achieving diversity on the Board.

- Requirement for the Board to have independent directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee is responsible for, among other things, the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. Their written terms of reference are in line with the provisions under the CG Code and explains the role and the authority delegated to the Audit Committee by the Board.

The Audit committee consists of three members, all of whom are non-executive Director and independent non-executive Directors. The composition of the Audit Committee during the financial year under review was as follows:

Chairman:
Mr. RAO Yong, independent non-executive Director

Members:
Mr. ZHANG Yizhao, independent non-executive Director
Ms. CHEN Shaohuan, non-executive Director

The Audit Committee was primarily responsible for the following duties during the year ended 31 December 2018:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on engaging an external auditor to supply non-audit services;
- to review and monitor integrity of the Company's financial statements, annual report and accounts and half-year reports and to review significant financial reporting judgements contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to discuss the internal control system with management of the Company and ensure that the management has performed its duty to have an effective internal control system;
- to review the financial and accounting policies and practices of the Company and its subsidiaries;
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised; and
- to review the effectiveness of the risk management and internal control systems and the internal audit function.

Remuneration Committee

The Remuneration Committee is responsible for, among other things, making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation are reasonable. Their written terms of reference are in line with the provisions of the Code. Pursuant to code provision B.1.4 of the CG Code, the remuneration committee would make available its terms of reference, explaining its role and the authority delegated to it by the Board. The composition of the Remuneration Committee during the financial year under review was as follows:

Chairman:
Mr. ZHANG Yizhao, independent non-executive Director

CORPORATE GOVERNANCE REPORT

Members:
Mr. KWOK Ying Shing, executive Director
Mr. RAO Yong, independent non-executive Director

The Remuneration Committee was primarily responsible for the following duties during the year ended 31 December 2018:

- to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management of the Company and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- to have the delegated responsibilities to determine the specific remuneration packages of all executive Directors and senior management members of the Company;
- to review and approve performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve compensation payable to executive Directors and senior management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Report of the Directors" and note 14 to the consolidated financial statements. During the year ended 31 December 2018, the Remuneration Committee determined the remuneration packages of the executive Directors and senior management members of the Company, and reviewed the collective performance and individual performance as well as the performance-based bonus payment of them.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year 2018 is set out below:

Remuneration bands (RMB)	Number of persons
1,000,001 to 2,000,000	2
2,000,001 to 3,000,000	2
3,000,001 to 4,000,000	–
4,000,001 to 5,000,000	2
5,000,001 to 6,000,000	1
6,000,001 to 7,000,000	–
7,000,001 to 8,000,000	2
8,000,001 to 9,000,000	3
9,000,001 to 10,000,000	1
10,000,001 to 11,000,000	–
11,000,001 to 12,000,000	1
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CORPORATE GOVERNANCE REPORT

Meeting Attendance

The attendance of Directors at Board meetings and meetings of the Board committees and general meetings during the year ended 31 December 2018, as well as the number of such meetings held, is set out as follows:

Meetings attended/held

Directors	Board	Nomination Committee	Audit Committee	Remuneration Committee	General Meetings
Executive Directors					
Mr. KWOK Ying Shing	4/4	2/2		1/1	1/2
Mr. SUN Yuenan	4/4				0/2
Mr. ZHENG Yi	3/4				0/2
Mr. MAI Fan	4/4				2/2
Mr. WENG Hao (Note 1)	0/0				0/0
Mr. ZHANG Jianjun	4/4				0/2
Non-Executive Director					
Ms. CHEN Shaohuan	0/4		0/2		0/2
Independent Non-Executive Directors					
Mr. ZHANG Yizhao	4/4	2/2	2/2	1/1	1/2
Mr. RAO Yong	4/4	2/2	2/2	1/1	0/2
Mr. LIU Xuesheng	4/4				0/2

Note:

1. Mr. WENG Hao was appointed as executive Director on 4 January 2019.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Group. In the preparation of financial statements, the Hong Kong financial reporting standards have been adopted and the appropriate accounting policies have been consistently used and applied. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision C.1.1 of the CG Code, management would provide sufficient explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The working scope and reporting responsibilities of Grant Thornton Hong Kong Limited, the Company's external auditor, are set out on pages 87 to 92 of the "Independent Auditor's Report" in this annual report.

External Auditor's Remuneration

During the year under review, the fee payable to Grant Thornton Hong Kong Limited in respect of its audit services and non-audit services provided to the Company were RMB6.0 million and RMB2.5 million, respectively.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Control

The Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has developed and adopted risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. The Board, together with the Audit Committee, should collect the information from the risk management system, include discussions of risk and oversight of the management of those risks into the agenda of Board meetings.

An internal audit department has been established to perform regular financial and operational reviews and conduct audit of the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls are in place and functioning properly as intended. In addition, the Company, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff of the accounting and finance department and internal audit department, and their training programmes and budget.

During the course of audit performed by the external auditors, they reported on the weaknesses of the Group's risk management, internal control and accounting procedures which came to their attention.

The Directors, through the audit committee of the Company, reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, at least annually, for the year ended 31 December 2018. After such review, the Board considered that the Company's enhanced internal control system was adequate and effective.

Handling of Inside Information

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), procedures including notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling and/or unauthorised use of inside information within the Group.

(C) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest news and business development. Information relating to the Company's financial results, corporate details, property projects and major events are disseminated through publications of interim and annual reports, announcements, circulars, press release and newsletters. The Board believes that effective investor relations can contribute towards lower cost of capital, higher market liquidity for the Company's stock and a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and following a policy of disclosing relevant information to shareholders, investors, analysts and bankers in a timely manner. Keeping them aware of our corporate strategies and business operations is one of the key missions of our investor relations team.

CORPORATE GOVERNANCE REPORT

Shareholders may put forward their written enquiries to the Board. In this regard, the Shareholders may send those enquiries or requests as mentioned to the following:

Address: Suite 2001, 20/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong

Fax: (852) 3900 0990

Telephone: (852) 8202 6888

Pursuant to the code provisions of the CG Code, in respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The chairman of the Board should attend the AGM and invite for the chairman of the Audit Committee, Remuneration Committee and Nomination Committees any other committee (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the AGM. The chairman of the independent Board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. The Company would arrange for the notice to shareholders to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by way of a poll.

Shareholder (s) holding not less than one-twentieth of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting. The requisition must state the objects of the meeting, and must be signed by the relevant shareholder (s) and deposited at the registered office of the Company. Besides, Section 115A of the Companies Ordinance of Hong Kong provides that (i) shareholder (s) representing not less than one-fortieth of the total voting rights of all shareholders of the Company or (ii) not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant shareholder (s) at the registered office of the Company.

There are no provisions allowing shareholders to putting forward proposals at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders who wish to put forward proposals may follow the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out in the above paragraph.

The constitutional documents of the Company are available on the websites of the Company and the Stock Exchange. There were no changes in the constitutional documents of the Company for the year ended 31 December 2018.

(D) DIVIDEND POLICY

Purpose

This Dividend Policy (the "Policy") sets out the principles and guidelines that the Company will apply when considering the declaration and payment of dividends to the shareholders of the Company.

Principles and Guidelines

The Company may, subject to the Cayman Companies Law, from time to time in general meeting declare dividends in any currency to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

The Board may from time to time determine to pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may determine to pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

The Board has the discretion to declare dividends to the shareholders of the Company, subject to the articles of the association of the Company and all applicable laws and regulations, taking into account the factors set out below:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- taxation considerations;
- any contractual, statutory and regulatory restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Review of the Policy

The Board will review this Policy as appropriate from time to time.

REPORT OF THE DIRECTORS

The Board presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department stores and cultural centre operations, water-way passenger and cargo transportation, etc. The activities and particulars of the Company's subsidiaries are set out in note 46 to the consolidated financial statements. An analysis of the Group's turnover and operating profit for the year by principal activities is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

The business objectives of the Group are to develop its business and achieve sustainable growth of its business. A review of the businesses of the Group during the year using the key performance indicators and a discussion on the Group's future business development are provided in the section headed "Management Discussion and Analysis — Financial Review" in this report. Description of key risk factors and uncertainties that the Group is facing are provided in the section headed "Management Discussion and Analysis — Principal Risks and Uncertainties".

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 93 to 94 in this annual report.

DIVIDENDS

The Board recommended of a final dividend of HK9.0 cents per share for 2018 (2017: HK11.8 cents per share). Together with an interim dividend of HK3.0 cents per share (2017: Nil), the full year dividends for 2018 amounted to HK12.0 cents per share (2017: HK11.8 cents).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property plant, and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity. Details of the distributable reserves of the Company as at 31 December 2018 are set out in note 35 to the consolidated financial statements.

BORROWINGS

Details of the borrowings are set out in note 31 to the consolidated financial statements.

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to RMB81.3 million (2017: RMB136.6 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

REPORT OF THE DIRECTORS

DIRECTORS

During the year ended 31 December 2018 and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. KWOK Ying Shing
Mr. SUN Yuenan
Mr. ZHENG Yi
Mr. MAI Fan
Mr. WENG Hao (appointed on 4 January 2019)
Mr. ZHANG Jianjun (appointed on 20 March 2018 and resigned on 4 January 2019)
Mr. YU Jianqiang (resigned on 16 January 2018)

Non-Executive Director

Ms. CHEN Shaohuan

Independent Non-Executive Directors

Mr. ZHANG Yizhao
Mr. RAO Yong
Mr. LIU Xuesheng

In accordance with Article 84(1) of the Articles, Mr. KWOK Ying Shing, Ms. CHEN Shaohuan and Mr. RAO Yong shall retire by rotation at the forthcoming AGM and each of them, being eligible, would offer themselves for reelection at the forthcoming AGM.

In accordance with Article 83(3) of the Articles, Mr. WENG Hao shall hold office until the forthcoming AGM, and being eligible, would offer himself for re-election at the forthcoming AGM.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Pursuant to 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Director Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive directors of a listed issuer must represent at least one-third of the board. The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

The biography of all the Directors and members of the senior management of the Company are set out on pages 42 to 47.

DIRECTOR'S SERVICE CONTRACTS

Each of the executive Directors has entered into service contract with the Company for a term of three years, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Each of the non-executive Director and the independent non-executive Directors has entered into letter of appointment with the Company and is appointed for a period of one year commencing on the date of listing/appointment (as the case may be), which will continue subject to re-election at the Company's general meeting, and such letter of appointment could be terminated by giving not less than three months' prior notice in writing. None of the Directors has entered into a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 22 November 2009. A summary of the principal terms of the Share Option Scheme is set out as follows:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options of the Company to eligible participants with the view to achieving the following objectives.

(i) motivate the Eligible Participants (as defined below) to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants of the Share Option Scheme

Participants of the Share Option Scheme include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, advisers and agents to the Company or any of its subsidiaries (the "**Eligible Participants**").

(3) Total number of Shares available for issue under the Share Option Scheme

The total number of Shares which may be issued upon exercise of all Share options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the Shares in issue from time to time. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and options under the other schemes of the Company is not permitted to exceed 10% limit, unless with the prior approval from the shareholders of the Company. The Share Option Scheme limit was refreshed at the extraordinary general meeting held on 31 March 2014. As at 31 December 2018, the maximum number of the Shares available for issue upon exercise of all Share options which may be granted under the Share Option Scheme is 516,756,000 Shares, representing approximately 8.51% of the issued share capital of the Company as at the date of the report.

During the year ended 31 December 2018, a total of 63,000,000 options were granted under the Share Option Scheme. For the year ended 31 December 2018, a total of 5,284,000 options were exercised, no options were cancelled, and a total of 11,474,000 were forfeited/lapsed.

(4) Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company to each participant of the Share Option Scheme in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of Shares in issue.

(5) Period within which the securities must be taken up under an option

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant.

REPORT OF THE DIRECTORS

(6) Payment on acceptance of option offer

HK$1.00 is payable by the participant of the Share Option Scheme to the Company upon acceptance of the option offered as consideration for the grant.

(7) Basis of determining the subscription price

The subscription price per Share under the Share Option Scheme is determined by the Board and notified to each participant and shall be no less than the highest of (i) the official closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(8) Remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 9 December 2019 after which no further options may be granted. In respect of all options which remain exercisable on such date, the provisions of the Share Option Scheme shall remain in full force and effect. The summary below sets out the details of options granted as at 31 December 2018 pursuant to the Share Option Scheme:

Grantee	Balance as of 1 January 2018 (Note 1)	Grant during the year ended 31 December 2018	Exercised during the year ended 31 December 2018	Cancelled/ Forfeited/ Lapsed during the year ended 31 December 2018	Balance as of 31 December 2018
Directors					
SUN Yuenan	50,020,000	–	–	–	50,020,000
ZHENG Yi	48,588,000	–	–	–	48,588,000
ZHANG Jianjun	–	20,000,000	–	–	20,000,000
MAI Fan	10,000,000	–	–	–	10,000,000
RAO Yong	2,400,000	–	–	–	2,400,000
ZHANG Yizhao	1,400,000	–	–	–	1,400,000
LIU Xuesheng	1,200,000	–	–	–	1,200,000
Other employees					
In aggregate	356,906,000	43,000,000	(5,284,000)	(11,474,000)	383,148,000
Total	470,514,000	63,000,000	(5,284,000)	(11,474,000)	516,756,000

Note:

(1) For the information on the date of grant, exercise period and exercise price in relation to the outstanding Share options as at 1 January 2018, please refer to Note 41 to the Consolidated Financial Statements.

As at 31 December 2018, a total of 178,156,000 options were exercisable.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests in Securities

As at 31 December 2018, the interests and short positions of Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares:

		Number of ordinary Shares held					
Name of Company	Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total	Approximate percentage of the total number of shares in issue
Kaisa Group Holdings Limited	KWOK Ying Shing	–	–	1,551,098,756	–	1,551,098,756	25.55%
	MAI Fan	238,000	905,000	–	–	1,143,000	0.02%
	ZHANG Yizhao	100,000	–	–	–	100,000	0.00%
Kaisa Property Holdings Limited	KWOK Ying Shing	–	–	1,141,750	–	1,141,750	0.82%
Kaisa Health Group Holdings Limited	KWOK Ying Shing	–	–	308,000,000	–	308,000,000	6.11%

The percentages were calculated based on Shares in issue of the corresponding entity as at 31 December 2018

(ii) Long positions in the underlying Shares:

Name of Director	Capacity	Number of the underlying Shares	Approximate percentage of shareholding of the issued share capital of the Company (Note) %
SUN Yuenan	Beneficial owner	50,020,000	0.82%
ZHENG Yi	Beneficial owner	48,588,000	0.80%
ZHANG Jianjun	Beneficial owner	20,000,000	0.33%
MAI Fan	Beneficial owner	10,000,000	0.16%
RAO Yong	Beneficial owner	2,400,000	0.04%
ZHANG Yizhao	Beneficial owner	1,400,000	0.02%
LIU Xuesheng	Beneficial owner	1,200,000	0.02%

Note:

The percentages were calculated based on 6,070,193,697 Shares in issue as at 31 December 2018, assuming all the options granted under the Share Option Scheme have been exercised.

Save for those disclosed above, as at 31 December 2018, none of the Directors or chief executive had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Schemes as set out in note 41 to the consolidated financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 43 to the consolidated financial statements, no transaction, arrangements or contract of significance to which the Company, its holding company or their subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year ended 31 December 2018.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance between the controlling shareholder of the Company or any of its subsidiaries and the Group was made during the year ended 31 December 2018.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2018 are set out in note 43 to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules.

REMUNERATION POLICY

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' performance, qualifications and experiences. Details of the remuneration of the Directors are set out in note 14 to the consolidated financial statements, having regard to the Company's operating results, individual performance of the Directors and senior management are comparable market statistics. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Scheme are set out in the report of Directors and note 41 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

At no time during the year ended 31 December 2018, none of the Director, their close associate or a shareholder of the Company (who to the knowledge of the Directors own more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest suppliers or customers.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had interests or a short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are set out as follows:

Name of substantial shareholder	Capacity	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Da Chang Investment Company Limited ("**Da Chang**")	Beneficial owner	708,033,378 (L) (Note 2)	11.66%
Da Feng Investment Company Limited ("**Da Feng**")	Beneficial owner	843,065,378 (L) 240,500,000 (S) (Note 2)	13.89% 3.96%
Da Zheng Investment Company Limited ("**Da Zheng**")	Beneficial owner	843,065,377 (L) (Note 2)	13.89%
Funde Sino Life Insurance Co., Ltd.	Beneficial owner Interest in a controlled corporation	649,700,957 (L) 887,995,149 (L) (Note 3)	25.33%
Fund Resources Investment Holding Group Company Limited	Beneficial owner	887,995,149 (L)	14.63%

Notes:

1. The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

2. Da Feng and Da Chang are wholly owned by Mr. Kwok Ying Shing. Da Zheng is wholly owned by Mr. Kwok Ying Chi.

3. 887,995,149 Shares were held by Fund Resources Investment Holding Group Company Limited, which was wholly owned by Funde Sino Life Insurance Co., Ltd. as at 31 December 2018. By virtue of SFO, Funde Sino Life Insurance Co., Ltd is deemed to be interested in Shares held by Fund Resources Investment Holding Group Company Limited.

4. The percentages were calculated based on 6,070,193,697 Shares in issue as at 31 December 2018.

REPORT OF THE DIRECTORS

Save for those disclosed above, as at 31 December 2018, to the best of the Directors' knowledge, no other persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

ENVIRONMENTAL PROTECTION

As a responsible developer, the Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental measures to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures have been enhanced to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2018.

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

Workplace Quality

The Group believes that the directors, senior management and employees of the Group are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. As such, the Share Option Scheme was adopted by the Company for the purpose of providing incentives and rewards to the Eligible Participants (as defined above) who contributed to the success of the Group's operations.

The Group provides on the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

The Group provides on providing a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues. The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

REPORT OF THE DIRECTORS

Relationships with the Group's other stakeholders

The Group placed efforts in maintaining good relationships various financial institutions and banks given that the Group's business is capital intensive and require on-going funding for the development and growth of the Group's business. Further, the Group aims at delivering constantly high standards of quality in the products to its customers in order to stay competitive. Save as disclosed in this report, the Directors are not aware of any material and significant dispute between the Group and its financial institutions and/or customers during the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 44 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 were audited by Grant Thornton Hong Kong Limited. A resolution to re-appoint Grant Thornton Hong Kong Limited as auditor of the Company will be proposed at the forthcoming AGM.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

On behalf of the Board

KWOK Ying Shing
Chairman

Hong Kong, 26 March 2019

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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To the members of Kaisa Group Holdings Ltd.
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 253, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of properties under development and completed properties held for sale	
Refer to note 5 of critical accounting estimates and judgements, note 23 of properties under development and note 24 of completed properties held for sale to the consolidated financial statements. As at 31 December 2018, the Group had properties under development and completed properties held for sale ("properties") amounting to RMB64,764,338,000 and RMB13,130,534,000, respectively, which in total represented approximately 34.0% of the total assets of the Group. Given the significant balance of properties under development and completed properties held for sale and the involvement of critical accounting estimates, the impairment assessment of these properties is considered a key audit matter. These properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. Based on management's analysis of the net realisable value of the properties, write-down of approximately RMB220,178,000 were charged to profit or loss for the year ended 31 December 2018.	We have understood and evaluated the management's procedures on identifying properties for which the net realisable values may be lower than their carrying amounts, including the methodologies and inputs used in the estimation of the net realisable values. Our procedures in relation to assessing the appropriateness of the valuation of these properties included: (i) testing the calculation for the impairment assessment performed by management; (ii) assessing future costs to be incurred to completion on a sample basis; (iii) comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; and (iv) tested management's key estimates on a sample basis for selling price which is estimated based on prevailing market conditions. We compared the estimated selling price to the recent market transactions by reference to the Group's selling prices of pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location.
Valuation of investment properties	
Refer to note 5 of critical accounting estimates and judgements, note 2.8 of accounting policy of investment properties and note 16 of investment properties to the consolidated financial statements. As at 31 December 2018, the Group had investment properties amounting to RMB35,930,000,000 which in total represented approximately 15.7% of the total assets of the Group. The estimate of the fair value of the Group's investment properties requires significant management judgement taking into account the conditions and locations of the properties as well as the latest market transactions. To support management's determination of the fair value, the Group has engaged an external valuer to perform valuations on the investment properties at the reporting date. Different valuation techniques were applied to different types of investment properties.	We evaluated the independence, competence and relevant experience of the external valuer engaged by the Company. We also assessed the scope of the valuations, critical judgements and data used in the valuations and evaluated the methodology and assumptions used. In addition, we evaluated the source data used in the valuations by benchmarking them to relevant market information.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of interests in associates and joint ventures Refer to note 5 critical accounting estimates and judgements, note 18(a) of investments in associates and note 18(b) of investments in joint ventures to the consolidated financial statements. We identified the valuation of investments in associates and joint ventures as a key audit matter due to the significance of the Group's interests in associates and joint ventures in the context of the Group's consolidated financial statements, combined with the judgements involved in management's impairment assessment of the investments in associates and joint ventures, in particular, the future prospects of each associate and joint venture. As at 31 December 2018, the carrying amounts of investments in associates and joint ventures amounting to RMB7,072,822,000 and RMB8,677,152,000, respectively. As disclosed in notes 2.3 and 2.4 to the consolidated financial statements, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates and joint ventures, less accumulated impairment in the values of individual investments. As such, the Group is required to assess at each reporting date whether there is any indication that the carrying amounts of interests in associates and joint ventures may be impaired. For those associates and joint ventures in which such indication exists, the Group assessed the carrying amounts for impairment. As disclosed in notes 18(a) and 18(b) to the consolidated financial statements, impairment of interests in associates and joint ventures RMB658,685,000 was considered to be necessary as at 31 December 2018.	Our procedures in relation to the valuation of investments in associates and joint ventures included: • assessing the appropriateness of management's assessment for investments in associates and joint ventures; • understanding the management's process for identifying the existence of impairment indicators in respect of the interests in associates and joint ventures and evaluating the effectiveness of such process; • where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and joint ventures and obtaining an understanding from management of their financial position and future development plan; and • assessing the reasonableness of key inputs and assumptions used by management in their estimation of recoverable amounts, including projections of cash flows, growth rates and discount rates applied; and comparing cash flow projections to supporting evidence, such as budgets, and evaluating the reasonableness of these budgets with reference to the future prospects of the associates and joint ventures as well as our knowledge of the industry and business.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2018 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

26 March 2019

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	6	**38,704,967**	32,779,347
Cost of sales	7	**(27,576,209)**	(23,845,129)
Gross profit		**11,128,758**	8,934,218
Other gains and (losses), net	8	**(638,696)**	(123,454)
Net gain on deemed disposals of subsidiaries	40	**2,912,593**	–
Selling and marketing costs	7	**(1,262,466)**	(896,012)
Administrative expenses	7	**(2,601,078)**	(2,501,232)
Fair value gain of investment properties	16	**212,374**	2,088,849
Fair value loss of financial derivatives		**–**	(969,204)
Loss on step acquisition of a subsidiary	39(b)	**–**	(146,258)
Operating profit		**9,751,485**	6,386,907
Share of results of associates		**239,913**	31,685
Share of results of joint ventures	18(b)	**(48,726)**	37
Finance income	9	**402,511**	1,486,084
Finance costs	9	**(2,573,298)**	(1,238,286)
Finance (costs)/income, net	9	**(2,170,787)**	247,798
Profit before income tax		**7,771,885**	6,666,427
Income tax expenses	10	**(4,477,629)**	(3,622,579)
Profit for the year		**3,294,256**	3,043,848
Profit/(Loss) for the year attributable to:			
Owners of the Company		**2,750,206**	3,284,889
Non-controlling interests		**544,050**	(241,041)
		3,294,256	3,043,848
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	12	**0.453**	0.602
– Diluted	12	**0.450**	0.593

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2018 RMB'000	2017 RMB'000
Profit for the year		**3,294,256**	3,043,848
Other comprehensive income/(loss), including reclassification adjustments			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**6,641**	(6,387)
Other comprehensive income/(loss) for the year, including reclassification adjustments		**6,641**	(6,387)
Total comprehensive income for the year		**3,300,897**	3,037,461
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**2,734,394**	3,283,297
Non-controlling interests		**566,503**	(245,836)
		3,300,897	3,037,461

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated, see note 3.1.

The notes on pages 100 to 253 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	15	**3,055,880**	2,551,580
Investment properties	16	**35,930,000**	32,025,830
Land use rights	17	**669,078**	395,815
Investments in associates	18(a)	**7,072,822**	5,284,835
Investments in joint ventures	18(b)	**8,677,152**	6,818,118
Available-for-sale financial assets	19	**–**	4,400,796
Financial assets at fair value through profit or loss	20	**6,567,622**	–
Debtors, deposits and other receivables	25	**1,652,852**	823,860
Goodwill and intangible assets	21	**1,105,288**	1,206,237
Long-term bank deposit	29	**400,000**	–
Convertible bonds receivable	22	**–**	41,328
Deferred tax assets	33	**784,310**	9,699
		65,915,004	53,558,098
Current assets			
Properties under development	23	**64,764,338**	68,066,413
Completed properties held for sale	24	**13,130,534**	18,170,966
Inventories		**105,305**	2,714
Deposits for land acquisition	26	**19,445,196**	21,422,522
Prepayments for proposed development projects	27	**19,080,815**	15,925,608
Debtors, deposits and other receivables	25	**22,600,171**	14,124,677
Prepaid taxes		**1,134,324**	850,499
Restricted cash	28	**6,792,292**	7,939,574
Financial assets at fair value through profit or loss	20	**328,204**	96,467
Short-term bank deposits	29	**252,718**	1,232,206
Cash and bank balances	29	**15,479,139**	11,998,423
		163,113,036	159,830,069
Current liabilities			
Advance proceeds received from customers and deposits received	30	**–**	29,564,933
Contract liabilities	30	**39,154,089**	–
Accrued construction costs		**12,599,547**	15,170,791
Income tax payable		**7,773,315**	5,649,679
Borrowings	31	**16,965,694**	22,173,037
Other payables	32	**19,917,262**	17,315,611
		96,409,907	89,874,051
Net current assets		**66,703,129**	69,956,018
Total assets less current liabilities		**132,618,133**	123,514,116

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Borrowings	31	**91,800,258**	89,000,150
Other payables	32	**–**	104,171
Deferred tax liabilities	33	**4,478,563**	4,411,645
		96,278,821	93,515,966
Net assets		**36,339,312**	29,998,150
EQUITY			
Share capital	34	**533,389**	532,865
Share premium	34	**6,168,607**	6,913,069
Reserves	35	**14,938,114**	11,641,988
Equity attributable to owners of the Company		**21,640,110**	19,087,922
Non-controlling interests		**14,699,202**	10,910,228
Total equity		**36,339,312**	29,998,150

Approved and authorised for issue by the Board of Directors on 26 March 2019.

Kwok Ying Shing
Director

Mai Fan
Director

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated, see note 3.1.

The notes on pages 100 to 253 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company					
	Share capital RMB'000 (note 34)	**Share premium RMB'000** (note 34)	**Reserves RMB'000** (note 35)	**Sub-total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance as at 1 January 2017	450,450	4,253,704	8,241,973	12,946,127	10,100,272	23,046,399
Profit/(Loss) for the year	–	–	3,284,889	3,284,889	(241,041)	3,043,848
Other comprehensive loss for the year	–	–	(1,592)	(1,592)	(4,795)	(6,387)
Total comprehensive income/(loss) for the year	–	–	3,283,297	3,283,297	(245,836)	3,037,461
Acquisitions of subsidiaries (note 39)	–	–	–	–	1,047,823	1,047,823
Capital injection by non-controlling interests	–	–	–	–	7,969	7,969
Issue of shares upon exercise of share options	3,923	66,732	(25,552)	45,103	–	45,103
Issue of shares upon conversion of convertible bonds	78,492	2,592,633	–	2,671,125	–	2,671,125
Share-based payment	–	–	141,281	141,281	–	141,281
Others	–	–	989	989	–	989
Balance as at 31 December 2017 and 1 January 2018	**532,865**	**6,913,069**	**11,641,988**	**19,087,922**	**10,910,228**	**29,998,150**
Adjustment on adoption of HKFRS 9, net of tax (note 3.1)	**–**	**–**	**299,998**	**299,998**	**(7,224)**	**292,774**
Restated balance as at 1 January 2018	**532,865**	**6,913,069**	**11,941,986**	**19,387,920**	**10,903,004**	**30,290,924**
Profit for the year	**–**	**–**	**2,750,206**	**2,750,206**	**544,050**	**3,294,256**
Other comprehensive (loss)/income for the year	**–**	**–**	**(15,812)**	**(15,812)**	**22,453**	**6,641**
Total comprehensive income for the year	**–**	**–**	**2,734,394**	**2,734,394**	**566,503**	**3,300,897**
Acquisitions of subsidiaries (note 39)	**–**	**–**	**–**	**–**	**172,719**	**172,719**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**3,166,914**	**3,166,914**
Acquisitions of non-controlling interests	**–**	**–**	**3,849**	**3,849**	**(18,384)**	**(14,535)**
Deemed disposals of subsidiaries (note 40)	**–**	**–**	**–**	**–**	**(91,554)**	**(91,554)**
Issue of shares upon exercise of share options	**424**	**8,989**	**(2,727)**	**6,686**	**–**	**6,686**
Dividend paid (note 11)	**–**	**(757,259)**	**–**	**(757,259)**	**–**	**(757,259)**
Issue of shares as scrip dividends	**100**	**3,808**	**–**	**3,908**	**–**	**3,908**
Share-based payments	**–**	**–**	**260,612**	**260,612**	**–**	**260,612**
Balance as at 31 December 2018	**533,389**	**6,168,607**	**14,938,114**	**21,640,110**	**14,699,202**	**36,339,312**

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.1.

The notes on pages 100 to 253 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	**24,650,873**	6,666,191
Income tax paid		**(3,190,093)**	(1,971,434)
Interest paid		**(10,861,607)**	(8,125,983)
Net cash from/(used in) operating activities		**10,599,173**	(3,431,226)
Cash flows from investing activities			
Additions to property, plant and equipment	15	**(308,254)**	(1,251,264)
Additions to investment properties	16	**(3,526,339)**	(3,169,299)
Additions to land use rights	17	**–**	(238,301)
Additions to intangible assets	21	**(85,033)**	(310,299)
Acquisitions of associates		**(2,224,868)**	(4,045,229)
Acquisitions of joint ventures	18(b)	**(339,100)**	(1,410,775)
Acquisitions of available-for-sale financial assets		**–**	(2,222,323)
Acquisitions of financial assets at FVTPL		**(2,020,211)**	–
Acquisitions of subsidiaries, net of cash acquired		**(971,100)**	(4,303,121)
(Increase)/Decrease in amounts due from associates		**(4,024,692)**	379,502
Increase in amounts due from joint ventures		**(12,402)**	(279,820)
Increase in other receivables		**(3,147,678)**	(1,206,239)
Increase in amounts due from non-controlling interest of a subsidiary		**(994,600)**	–
Decrease/(increase) in short-term bank deposits		**979,488**	(1,175,289)
Increase in long-term bank deposits		**(400,000)**	–
Cash outflow from deemed disposal of subsidiaries	40	**(2,572,441)**	–
Dividend income received from financial assets at FVTPL/available-for-sale financial assets	8	**20,945**	22,269
Interest received		**200,793**	185,818
Increase in consideration payables related to acquisitions of associate and joint venture		**78,500**	–
Repayment for consideration payables related to acquisitions of subsidiaries		**(1,559,222)**	(497,788)
Payment for consideration payables related to purchase of available-for-sale financial assets		**(570,163)**	–
Payment for consideration payable related to acquisitions of associate and joint venture		**(757,937)**	–
Proceeds from disposal of financial assets at FVTPL/available-for-sale financial assets		**32,596**	1,104
Proceeds from disposal of a joint venture		**–**	9,370
Proceeds from disposal of property, plant and equipment	36(a)	**16,068**	13,298
Proceeds from disposal of investment properties		**11,108**	–
Net cash used in investing activities		**(22,174,542)**	(19,498,386)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Acquisitions of non-controlling interests		**(14,535)**	–
Capital injection by non-controlling interests		**3,166,914**	7,969
Increase in other payables		**1,373,817**	2,824,985
Increase in restricted deposit relating to borrowings from non-financial institution	25(b)(iii)	**–**	(1,960,203)
Increase in amounts due to associates		**92,279**	1,564
Increase in amounts due to joint ventures		**2,246,498**	–
Decrease/(Increase) in restricted cash relating to borrowings		**1,220,611**	(2,280,663)
Increase/(Decrease) in amounts due to non-controlling interests of subsidiaries		**1,234**	(571,040)
Proceeds from bank and other borrowings		**30,785,043**	32,383,752
Proceeds from loans from associates		**2,034,350**	1,227,200
Net proceeds from issuance of senior notes	31(a)	**5,637,588**	18,174,280
Proceeds from exercise of share options		**6,686**	45,103
Repayments of bank and other borrowings		**(28,035,327)**	(21,706,492)
Repayments of loan from a related company		**–**	(2,768,219)
Repayments of loans from associates		**(1,021,000)**	–
Repayments of senior notes		**(2,015,121)**	(1,340,423)
Dividend paid		**(753,351)**	–
Net cash generated from financing activities		**14,725,686**	24,037,813
Net increase in cash and cash equivalents		**3,150,317**	1,108,201
Cash and cash equivalents at beginning of the year		**11,998,423**	10,819,117
Exchange adjustments		**330,399**	71,105
Cash and cash equivalents at end of the year, represented by cash and bank balances		**15,479,139**	11,998,423

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 3.1.

The notes on pages 100 to 253 are an integral part to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands.

The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation in the People's Republic of China (the "PRC").

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 26 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3. The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on 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.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at proportionate share of the acquiree's net identifiable assets.

Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or the proportionate share in the recognised amounts of the acquiree's net identifiable assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the subsidiary's carrying value of net assets is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Separate financial statements

In the Company's statement of financial position (in note 45 to the consolidated financial statements), subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of result from associate" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint ventures

The Group applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies rates are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance (costs)/income – net'. All other foreign exchange gains and losses are presented in profit or loss on a net basis within "other gains and (losses) – net".

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 currencies are not retranslated (i.e. only translated using the exchange rates at the transaction date).

(iii) Group companies

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

– income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and

– all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken into equity holders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost include professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis, as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to write off their cost less their residual values over their estimated useful lives, as follows:

Hotel properties	20-25 years
Buildings	20-40 years
Machinery	5 years
Motor vehicles	5-10 years
Furniture, fitting and equipment	3-8 years
Vessels	10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount at date of disposal and are recognised within "other gains and (losses), net" in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment properties, principally comprising leasehold land and buildings, are properties held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. The interest is classified and accounted for as an investment property on a property-by-property basis. Properties and land use right that are currently being constructed or developed for future use as investment properties is classified as investment properties.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value business reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Changes in fair value of investment property are recognised in profit or loss.

If an investment property becomes owner-occupied or commence to be further developed for sale, they are reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

2.9 Land use rights

The Group makes 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets and goodwill

(i) Contracts with sports players

Separately acquired contracts with sports players are shown at historical cost. Costs of contracts with sports players are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method ranged from one to four years.

(ii) Trademarks and patent, customer relationship, technology, distribution network and other intangible assets

Trademarks and patent, customer relationship, technology, distribution network and other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method ranged from five to eleven over the expected life of these intangible assets.

(iii) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (i.e. the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.11).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

- goodwill arising on acquisition of a subsidiary;
- other intangible assets;
- property, plant and equipment;
- land use rights;
- investment properties; and
- the Company's interests in subsidiaries, associates and joint ventures

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Policy applicable from 1 January 2018

Financial assets

(ii) Classification and initial measurement of financial assets

Except for those trade debtors that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL.

– Fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "finance (costs)/ income, net" or "other gains and (losses), net."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Policy applicable from 1 January 2018 (Continued)

(iii) Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Interest income from these financial assets is included in finance income in profit or loss. The Group's debtors, deposits and other receivables, restricted cash, short-term bank deposits, long-term bank deposits and cash and bank balances fall into this category of financial instruments.

Financial assets at FVTPL

Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are categorised and measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of profit or loss and other comprehensive income within "other gains and (losses), net" in the period in which it arises. Interest income from these financial assets is included in the "finance income".

Equity investments

Investments in equity instruments are classified as FVTPL unless these equity instruments are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and (losses), net" in profit or loss.

Policy applicable before 1 January 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy as detailed below.

(i) Classification of financial assets

The Group classifies its financial assets in the following categories financial assets at FVTPL, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Policy applicable before 1 January 2018 (Continued)

(i) *Classification of financial assets* (Continued)

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are classified as "debtors, deposits and other receivables", "restricted cash", "short-term bank deposits", "long-term bank deposits" and "cash and bank balances" in the consolidated statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it within 12 months of the reporting date.

Convertible bonds receivable

The convertible bonds receivable is initially measured at transaction price, which is also the fair value resulted from arm's length market transaction. At initial recognition, the entire hybrid instrument is treated as financial instrument held for trading as the fair value of the conversion option which will be settled by unquoted instrument cannot be reliably measured. The convertible bonds receivable is subsequently measured at cost, accrued interest less impairment as the conversion option of the hybrid instrument is sufficiently significant to preclude from obtaining a reliable estimate of the entire instrument.

(ii) *Subsequent measurement*

Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVTPL were subsequently carried at fair value. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses (see note 2.13). Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities

(i) Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, accrued construction costs and other payables (excluding deed tax and other tax payables, deposits received and financial derivatives).

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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.

Convertible bond issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the equity component of convertible bond and the carrying value of the liability component at the time of conversion are transferred to share capital as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities (Continued)

(i) *Classification and measurement of financial liabilities* (Continued)

Financial derivatives

Financial derivatives are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair values at the reporting date.

Financial derivatives are accounted for FVTPL. Changes in the fair value of these derivative instruments are recognised immediately in profit or loss.

Accrued construction cost and other payables

Accrued construction cost and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(ii) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Impairment of financial assets and contract assets

Policy applicable from 1 January 2018

HKFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses ("ECL") – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade debtors and contract assets recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets and contract assets (Continued)

Policy applicable from 1 January 2018 (Continued)

Trade debtors

For trade debtors, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets and contract assets (Continued)

Policy applicable from 1 January 2018 (Continued)

Other financial assets measured at amortised cost (Continued)

(i) Measurement of ECLs (Continued)

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant of financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position as the loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the relevant assets.

(ii) Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets and contract assets (Continued)

Policy applicable before 1 January 2018

At each reporting date, financial assets other than at FVTPL are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for that financial asset because of financial difficulties; 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, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the financial asset at the date of impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets and contract assets (Continued)

Policy applicable before 1 January 2018 (Continued)

(i) *Financial assets carried at amortised cost* (Continued)

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(ii) *Financial assets carried at cost*

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and not reversed in subsequent periods.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.15 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised less applicable variable selling expenses and anticipated cost to completion.

Development cost of properties comprises mainly construction costs, land use rights in relation to properties under development for subsequent sale, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle.

2.16 Completed properties held for sale

Completed properties remaining unsold at each reporting date are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held by banks, other short-term high liquidity investment with original maturities of three months or less.

Restricted cash, short-term bank deposits and long-term bank deposits are not included in cash and cash equivalents.

2.18 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.24). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.12).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the difference of the interest rate used between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings. When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for its associate, unless there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Bonus entitlements

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(v) Share-based payments

The Group operates equity-settled share option schemes, which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions. At each reporting date, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiary undertakings, with a corresponding credit to equity.

2.23 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition

Policy applicable from 1 January 2018

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when (or as) performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

(i) *Sales of properties*

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the law that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

For properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress, i.e. the costs incurred up to date compared with the total budgeted costs, which depict the Group's performance towards satisfying the performance obligation.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component.

Deposits and instalments received from purchasers prior to delivery of the properties to the customers are contract liabilities.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

Policy applicable from 1 January 2018 (Continued)

(ii) Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Hotel operation income

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iv) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group satisfies performance obligations by transferring the services to its customers.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Pre-delivery and consulting services to non-property owners mainly includes fees for construction sites management, display units and property sales venues management and consulting services to property developers at the pre-delivery stage, and property management consulting services provided to other property management companies which are billed based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided.

(v) Catering income

Revenue from restaurant operations is recognised when food, beverages and services are delivered to or rendered to and have been accepted by customers.

(vi) Hire income from charter

Hire income from time charter is accounted for as operating lease and is recognised on a straight-line basis over the period of each time charter contract.

(vii) Passenger transportation agency service

Revenue from passenger transportation agency service are recognised based on net agencies fee upon departure of ferries at terminals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

Policy applicable from 1 January 2018 (Continued)

(viii) Sales of goods

The Group manufactures and sells a range of consumer products, including dental prosthetics. Revenue from sales of goods are recognised when the products have been delivered to and accepted by customers.

(ix) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Policy applicable before 1 January 2018

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services, stated net of discounts, returns and value added tax, in the ordinary course of the Group's activities. Revenue is shown after eliminated sales with the group entities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Sales of properties

(1) Completed properties held for sale

Revenue from sales of completed properties held for sale is recognised when the risks and rewards of properties are transferred to the purchasers, which occurs 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.

(2) Proposed development project

Revenue from proposed development project is recognised when the risks and rewards of project are transferred to the purchasers, which occurs when the relevant project have been delivered to the purchaser and collectability of related receivable is reasonably assured.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advance proceeds received from customers and deposits received under current liabilities.

(ii) Rental income

Rental income from property leasing under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Property management

Revenue arising from properties are management is recognised in the accounting period in which the service rendered, using a straight-line basis over the term of the contact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

Policy applicable before 1 January 2018 (Continued)

(iv) Hotel operation income

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered or services are rendered.

(v) Catering income

Revenue from restaurant operations is recognised when food, beverages and services are delivered or rendered to customers and collectability of the related receivables is reasonably assured.

(vi) Hire income from charter

Hire income from time charter is accounted for as operating lease and is recognised on a straight-line basis over the period of each time charter contract.

(vii) Passenger transportation agency service

Revenue from passenger transportation agency service are recognised based on net agencies fee upon departure of ferries at terminals.

(viii) Sales of goods

The Group manufactures and sells a range of consumer products, including dental prosthetics. Revenue from sales of goods are recognised when the products have been delivered to the customers.

(ix) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to 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

Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.

(iii) The Group is the lessor

Assets leased out under an operating leases are included in investment properties in the consolidated statement of financial position. 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 over the lease term on the same basis as the rental income.

2.26 Dividend distribution

Dividend distribution to the owners of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or the board of directors, where applicable.

2.27 Financial guarantee liabilities

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "other payables". The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 2.13 (applicable from 1 January 2018)/HKAS 37 (before application of HKFRS 9 on 1 January 2018) and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to income is presented in gross under "other gains and (losses) – net" in the consolidated statement of profit or loss and other comprehensive income.

2.29 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(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) the entity and the Group 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 (if the Group is itself such a plan) and the sponsoring employers are also 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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018

The following new and amended standards that may be relevant to the Group's operations have been adopted by the Group for the first time for the financial period beginning on 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Other than amendments to HKAS 40, HK(IFRIC) – Int 22, HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"), the application of the above amended standards which are effective for the financial period beginning on 1 January 2018 did not have material financial effect to the Group for the current and prior periods.

Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. To conclude if a property has changed in use, there should be an assessment of whether a property meets, or has ceased to meet, the definition of investment property and the supporting evidence that a change in use has occurred. A change in intention, in isolation, is not enough to support a transfer. The amendments are effective from 1 January 2018 and these amendments do not have any impact on the Group's consolidated financial statements.

HK(IFRIC) – Int 22 "Foreign Currency Transactions and Advance Consideration"

HK(IFRIC)-Int 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expenses or income (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions of each payment or receipt of advance consideration. The interpretation does not have any impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" and the related amendments

(i) Impact on the consolidated financial statements

As explained below, HKFRS 9 and HKFRS 15 were generally adopted by the Group retrospectively without restating comparative information. As a result of the changes in the Group's accounting policies, certain reclassification and adjustments are therefore not reflected in the restated consolidated statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated statement of financial position (extract)	At 31 December 2017 (As originally presented) RMB'000	Impact on initial application of HKFRS 9 RMB'000	Impact on initial application of HKFRS 15 RMB'000	At 1 January 2018 (Restated) RMB'000
Non-current assets				
Available-for-sale financial assets (note 19)	4,400,796	(4,400,796)	–	–
Financial assets at fair value through profit or loss	–	5,086,320	–	5,086,320
Convertible bonds receivables (note 22)	41,328	(41,328)	–	–
Deferred tax assets	9,699	63,459	–	73,158
Current assets				
Debtors, deposits and other receivables	14,124,677	(253,832)	–	13,870,845
Current liabilities				
Advance proceeds received from customers and deposits received	29,564,933	–	(29,564,933)	–
Contract liabilities	–	–	29,564,933	29,564,933
Non-current liability				
Deferred tax liabilities	4,411,645	161,049	–	4,572,694
Equity				
Retained earnings	10,973,620	299,998	–	11,273,618
Non-controlling interests	10,910,228	(7,224)	–	10,903,004

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" and the related amendments (Continued)

(i) Impact on the consolidated financial statements (Continued)

Consolidated statement of profit or loss and other comprehensive income (extract)	For the year ended 31 December 2017 (As originally presented) RMB'000	Impact on initial application of HKFRS 9 RMB'000	Impact on initial application of HKFRS 15 RMB'000	As restated RMB'000
Other gains and (losses), net	(123,454)	644,196	–	520,742
Income tax expenses	(3,622,579)	(97,590)	–	(3,720,169)
Allowance of impairment	–	(253,832)	–	(253,832)

(ii) HKFRS 9 "Financial instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "ECL model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS measurement categories including those to be measured at FVTPL and those to be measured at amortised cost.

The Group's financial assets include financial assets at FVTPL, available-for-sale financial assets, convertible bond receivable, debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), short-term bank deposits, long-term bank deposits, restricted cash and cash and bank balances.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" and the related amendments (Continued)

(ii) *HKFRS 9 "Financial instruments"* (Continued)

Reclassification from available-for-sale financial assets to financial asset at FVTPL

As at 31 December 2017, the Group has equity interest in unlisted companies at cost of RMB4,400,796,000 and the convertible bonds receivable of RMB41,328,000 and these investments were classified as available-for-sale financial assets at cost less impairment under previous standard HKAS 39. With the adoption of HKFRS 9, these investments do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. As at 1 January 2018, the Group classified its unlisted equity investments and convertible bonds receivable at financial assets at FVTPL.

As a result of the adoption of HKFRS 9, the equity investments and convertible bonds receivable have been measured at its fair values as at 1 January 2018 with reference to the valuation conducted by independent external valuers and the directors' best estimation. As at 1 January 2018, the carrying amounts of equity investments in unlisted companies was restated from RMB4,400,796,000 to its fair value of RMB5,044,992,000. There was fair value changes and deferred tax expenses recognised in retained earnings arising from change in fair value in the financial assets at FVTPL amounting to RMB644,196,000 and RMB161,049,000. The carrying amount of convertible bonds receivable as at 1 January 2018 approximated to its fair value and thus no significant financial impact on consolidated financial statement result.

The reclassifications and remeasurements made to balances recognised in the consolidated statement of financial position at the date of initial application (1 January 2018) are summarised as follows:

	Measurement category		31 December 2017 (HKAS 39)	Adoption of HKFRS 9		1 January 2018 (HKFRS 9)
	Original HKAS 39 category	New HKFRS 9 category		Reclassification	Remeasurement	
			RMB'000	RMB'000	RMB'000	RMB'000
Non-current financial assets						
Equity investments in unlisted companies	Available-for-sale	FVTPL	4,400,796	–	644,196	5,044,992
Debtors, deposits and other receivables	Amortised cost	Amortised cost	823,860	–	–	823,860
Convertible bonds receivable	Available-for-sale	FVTPL	41,328	–	–	41,328
			5,265,984	–	644,196	5,910,180
Current financial assets						
Debtors, deposits and other receivables (excluding prepayments and prepaid other taxes)	Amortised cost	Amortised cost	10,299,105	–	–	10,299,105
Listed equity securities	FVTPL	FVTPL	96,467	–	–	96,467
Restricted cash	Amortised cost	Amortised cost	7,939,574	–	–	7,939,574
Short-term bank deposits	Amortised cost	Amortised cost	1,232,206	–	–	1,232,206
Cash and bank balances	Amortised cost	Amortised cost	11,998,423	–	–	11,998,423
			31,565,775	–	–	31,565,775
Total financial asset balances			36,831,759	–	644,196	37,475,955

There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

The details of new significant accounting policies are set out in note 2.12.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" and the related amendments (Continued)

(ii) *HKFRS 9 "Financial instruments"* (Continued)

Impairment of financial assets at amortised costs

The Group assesses on a forward looking basis the ECL associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

(a) Trade debtors

The Group makes use of a simplified approach in accounting for trade debtors and records the loss allowance as lifetime ECL. They are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group allows 0.1% for amounts that are neither past due nor impaired, 1.1% for amounts that are more than 180 days past due, and 10% for amounts that are 1 year past.

(b) Deposits and other receivables from third parties, joint ventures, associates and non-controlling interests of a subsidiary (excluding prepayments)

Impairment on deposits and other receivables are measured as either 12-month ECL or lifetime ECL depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL. The Group allows 2% to 30% against deposits and other receivables from third parties, joint ventures, associates and non-controlling interests of a subsidiary.

The total impact on the Group's retained earnings, net of tax, and non-controlling interests as at 1 January 2018 is as follows:

	Retained earnings RMB'000	Non-controlling interests RMB'000
As at 31 December 2017	10,973,620	10,910,228
Provision for ECL for debtors, deposits and other receivable (excluding prepayments and prepaid other taxes)	(244,197)	(9,635)
Deferred tax assets relating to provision for ECL (note 33)	61,048	2,411
Increase in fair value of financial assets at FVTPL	644,196	–
Deferred tax liabilities relations to increase in fair value of financial assets at FVTPL (note 33)	(161,049)	–
As at 1 January 2018 (restated)	11,273,618	10,903,004

The details of new significant accounting policies are set out in note 2.13.

The following table reconciles the provision of impairment determined in accordance with HKAS 39 as at 31 December 2017 with the opening ECL determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Provision of impairment at 31 December 2017 under HKAS 39	–
Additional ECL recognised at 1 January 2018 on:	
– Trade receivables (note 4.1 (ii))	27,915
– Deposits and other receivables (excluding prepayments and prepaid other taxes) (note 4.1 (ii))	225,917
ECL at 1 January 2018 under HKFRS 9	253,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" and the related amendments (Continued)

(iii) HKFRS 15 "Revenue from contract with customers"

HKFRS 15 deal with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustments to the opening balance of retained earnings at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18.

Taking into account the changes in accounting policy arising from initial application of HKFRS 15, except for the recognition of contract liabilities, the directors of the Company considered the initial application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised for contracts from property development in the PRC in the respective reporting periods upon its initial adoption.

(a) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 that were previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of profit or loss and other comprehensive income (extract)	For the year ended 31 December 2018 Amounts before the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Revenue	33,211,347	5,493,620	38,704,967
Cost of sales	(32,384,152)	(4,807,943)	(27,576,209)
Income tax expenses	(4,306,210)	(171,419)	(4,477,629)
Profit for the year attributable to:			
owner of the Company	2,235,948	514,258	2,750,206
Earning per Share			
Basic (RMB)	0.410	0.08	0.453
Diluted (RMB)	0.366	0.08	0.450

(b) The amount by each financial statements line items in the current year and year to date by the application of HKAS 18 that were previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position (extract)	At 31 December 2018 Amounts before the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Advance proceeds received from customers and deposits received	39,154,089	(39,154,089)	–
Contract liabilities	–	39,154,089	39,154,089
Income tax payable	7,601,896	(171,419)	7,773,315
Retained earnings	13,511,923	514,258	14,026,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" and the related amendments (Continued)

(iii) *HKFRS 15 "Revenue from contract with customers"* (Continued)

(b) (Continued)

Consolidated statement of cash flow (extract)	For the year ended 31 December 2018 Amounts before the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Profit before tax	**7,086,208**	**685,677**	**7,771,885**

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses. Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The Group recognises contract liabilities when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15. Contract liabilities recognised in relation to property development activities were previously presented as advance proceeds received from customers and deposits received. The contract liabilities as at 1 January 2018 was RMB29,564,933,000.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new standards, amendments and interpretations have been published but are not yet effective, and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 3	Definition of a Business	Note
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Note: Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations

As disclosed in note 2.25, currently the Group classifies leases into operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a lease liability and a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings and other assets which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 38, as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB451,105,000, the majority of which is payable within 5 years after the reporting date or in more than 5 years.

Upon the initial application of HKFRS 16, the Group plans to measure the rights-of-use assets at an amount equal to the lease liability (subject to certain adjustments).

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

4. FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's major financial instruments include available-for-sale financial assets, financial assets at FVTPL, debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), long-term and short-term bank deposits, cash and bank balances, restricted cash, convertible bonds receivable, accrued construction costs, other payables, financial derivatives and borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

4.1 Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Board. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

(i) Market risk

(1) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that borrowings are denominated in other currencies. The major non-RMB assets and liabilities are financial assets at FVTPL, convertible bonds receivable, debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), restricted cash, cash and bank balances, long-term and short-term bank deposits and borrowings denominated in the United States dollar ("USD"), Hong Kong dollar ("HKD") and Euro ("Euro").

The Company and certain of its subsidiaries' functional currency is RMB, so the financial assets at FVTPL, convertible bonds receivable, debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), restricted cash, cash and bank balances, long-term and short-term bank deposits and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

The Group does not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign exchange risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated statement of financial position are as follows:

	2018 RMB'000	2017 RMB'000
Assets		
USD	**2,889,638**	4,885,285
HKD	**247,782**	1,716,425
EUR	**54,370**	45,277
	3,191,790	6,646,987
Liabilities		
USD	**39,978,614**	32,808,173
HKD	**1,701,382**	2,780,660
	41,679,996	35,588,833

The following table illustrates the sensitivity of the Group's profit for the year and equity in regards to an appreciation in the group entities' functional currencies against USD, HKD and EUR. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	2018		2017	
	Sensitivity rate	Increase/ (Decrease) in profit or loss and equity RMB'000	Sensitivity rate	Increase/ (Decrease) in profit or loss and equity RMB'000
USD	**5%**	**1,767,122**	5%	1,330,124
HKD	**5%**	**69,685**	5%	71,003
EUR	**5%**	**(2,589)**	5%	(2,156)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is mainly as a result of the net foreign exchange gains/losses on translation of USD and HKD denominated long-term and short-term bank deposits, debtors, deposits and other receivables and borrowings.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(2) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly restricted cash, long-term and short-term bank deposits, cash and bank balances, convertible bonds receivable, bank and other borrowings and senior notes. Restricted cash, long-term and short term bank deposits, cash and bank balances, and bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, bank and other borrowings and convertible bonds receivable issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2018, if interest rates on assets and liabilities had been increased/decreased by 100 (2017: 100) basis point with all variables held constant, the Group's post-tax profit for the year would have been RMB139,300,000 decreased/ increased (2017: RMB82,531,000 decreased/increased). Majority of the interest expenses would be capitalised as a result of such interest expenses directly attributable to the property construction.

(3) Price risk

The Group is exposed to equity securities price risk in connection with the Group's investment in listed equity securities classified as financial assets at FVTPL (2017: financial assets at FVTPL). The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements.

If the price of listed equity securities had been 5% (2017: 5%) increased/decreased, post-tax profit for the year ended 31 December 2018 would have been decreased/increased by approximately RMB9,730,000 (2017: RMB3,618,000).

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's credit risk primarily arises from convertible bonds receivable, debtors, deposits and other receivables, restricted cash, long-term and short-term bank deposits, cash and bank balances, and guarantees provided in respect of mortgage facilities (note 37).

Effective on 1 January 2018

The credit risks on restricted cash, short-term and long-term bank deposits and cash and bank balances are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Trade debtors

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade debtors.

To measure the ECL of trade debtors, trade debtors have been grouped based on shared credit risk characteristics and the days past due. As at 31 December 2018, there was no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

Trade debtors (Continued)

The loss allowance provision as at 31 December 2018 is determined as follows, the ECL provision below also incorporate forward-looking information.

Trade debtors	Current	More than 180 days past due	More than 1 year past due	Total
Expected loss rate	0.1%	1.0%	10.0%	
Gross carrying amount (RMB'000)	755,009	56,217	221,527	1,032,753
Loss allowance provision (RMB'000)	755	562	22,153	23,470

The loss allowance provision as at 1 January 2018 is determined as follows, the ECL below also incorporate forward looking information.

Trade debtors	Current	More than 180 days past due	More than 1 year past due	Total
Expected loss rate	0.1%	1.1%	10.0%	
Gross carrying amount (RMB'000)	251,313	1,613,134	99,943	1,964,390
Loss allowance provision (RMB'000)	251	17,670	9,994	27,915

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes)

For financial assets at amortised cost include other receivables, amounts due from joint ventures, associates and non-controlling interest of a subsidiary, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It also considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underlying the Group's ECL model is as follows:

Category	Group definition of category	Basis for recognition of ECL provision
Performing	Customers have a low risk of default and a strong capacity to meet	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

As at 31 December 2018, the Group provides for credit losses against deposits, other receivables, amounts due from joint ventures, associates and non-controlling interests of a subsidiary as follows:

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	1-10%	12 month expected losses	17,503,492	548,215	16,955,277
Under performing	20%	Lifetime expected losses	33,310	6,662	26,648
Non-performing	30%-50%	Lifetime expected losses	409,634	204,817	204,817
Total			17,946,436	759,694	17,186,742

As 1 January 2018, the Group provides for credit losses against deposits, other receivables, amounts due from joint ventures, associates and non-controlling interests of a subsidiary as follows:

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	1-10%	12 month expected losses	9,158,575	225,917	8,932,658

No significant change to estimation techniques or assumptions was made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

Deposits and other receivables (excluding prepayments)

The loss allowance provision for deposits and other receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RMB'000	Underperforming RMB'000	Non-performing RMB'000	Total RMB'000
Closing loss allowance as at 31 December 2017 (calculated under HKAS 39)	–	–	–	–
Amounts restated through opening retained earnings upon application of HKFRS 9	225,917	–	–	225,917
Opening loss allowance as at 1 January 2018 (calculated under HKFRS 9)	225,917	–	–	225,917
Individual financial assets transferred to underperforming and non-performing	(44,294)	3,331	40,963	–
Additional loss allowance	366,592	3,331	163,854	533,777
Closing loss allowance as at 31 December 2018 (calculated under HKFRS 9)	**548,215**	**6,662**	**204,817**	**759,694**

Debtors, deposits and other receivables (excluding prepayments and prepaid other taxes)

As at 31 December 2018, the loss allowance provision for debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) reconciles to the opening loss allowance for that provision as follows:

	Trade debtors RMB'000	Deposits and other receivables (excluding prepayments and prepaid other taxes) RMB'000	Total RMB'000
Closing loss allowance as at 31 December 2017 (calculated under HKAS 39)	–	–	–
Amounts restated through opening retained earnings upon application of HKFRS 9	27,915	225,917	253,832
Opening loss allowance as at 1 January 2018 (calculated under HKFRS 9)	27,915	225,917	253,832
(Reversal)/Provision for loss allowance recognised in profit or loss during the year (note 8)	(4,445)	533,777	529,332
Closing loss allowance as at 31 December 2018 (calculated under HKFRS 9)	**23,470**	**759,694**	**783,164**

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

As at 31 December 2018, the gross carrying amount of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) was RMB18,979,189,000 and thus the maximum exposure to loss was RMB18,979,189,000. The Group made no write-off of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) during the year.

Effective before 1 January 2018

The Group has concentration of credit risk on liquid funds which are deposited with several banks, which are mainly state-owned banks and with high credit ratings in the PRC.

The credit risk of the Group's convertible bonds receivable arises from default of the counterparty with a maximum exposure equal to the carrying amounts of this financial instrument.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the Group is able to retain the property sales proceeds received from the purchasers and sell the property to recover any amounts paid by the Group to the bank.

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 consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on amounts due from associates, joint ventures and non-controlling interests of a subsidiary, the Group assessed the credit quality of the associates, joint ventures and non-controlling interests of a subsidiary by taking into account their financial position and credit history. Management also regularly review the recoverability of the advances. The risk of default by associates, joint ventures and non-controlling interests of a subsidiary is low.

As at 31 December 2017, 81.3% of the total trade receivables was due from the Group's largest customer. The Group does not notice any significant changes in the credit quality of the trade receivable and the amount is considered to be recoverable.

(iii) Liquidity risk

Management aims to maintain sufficient cash and bank balances or have available funding through an adequate amount of available financing, including short-term and long-term bank and other borrowings to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and bank balances and through having available sources of financing.

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the years ended 31 December 2018 and 2017. As at 31 December 2018, the Group's total borrowings stood at RMB108,765,962,000 (2017: RMB111,173,187,000). During the year ended 31 December 2018, in order to properly manage the Group's liquidity risk and capital structure, the Group has issued several batches of senior notes with an aggregated principal amount of RMB38,771,662,000 (2017: RMB41,577,820,000).

Except for the aforementioned recent development, the Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adopt the changing local real estate market environment, implementing cost control measures, accelerating sales with more flexible pricing, seeking partners to develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will pursue such options based on its assessment of relevant future costs and benefits.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company have reviewed the working capital forecast of the Group for the 12 months from 31 December 2018 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the reporting date.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2018					
Accrued construction costs	**12,599,547**	**–**	**–**	**–**	**12,599,547**
Borrowings	**22,263,143**	**38,412,265**	**35,208,849**	**26,693,797**	**122,578,054**
Other payables	**19,039,975**	**–**	**–**	**–**	**19,039,975**
	53,902,665	**38,412,265**	**35,208,849**	**26,693,797**	**154,217,576**
Financial guarantees issued: Maximum amount guaranteed (note 37)	**30,587,387**	**–**	**–**	**–**	**30,587,387**

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Accrued construction costs	15,170,791	–	–	–	15,170,791
Borrowings	27,625,826	19,923,358	53,932,771	23,785,230	125,267,185
Other payables	16,417,715	104,171	–	–	16,521,886
	59,214,332	20,027,529	53,932,771	23,785,230	156,959,862
Financial guarantees issued: Maximum amount guaranteed (note 37)	30,094,885	–	–	–	30,094,885

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for 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 debt, which includes the borrowings (note 31) less cash and bank balances, short-term bank deposits, long-term bank deposits (note 29) and restricted cash (note 28) and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and bank balances, long-term and short-term bank deposits and restricted cash. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios of the Group at 31 December 2018 and 2017 were as follows:

	2018 **RMB'000**	2017 RMB'000
Total borrowings (note 31)	**108,765,952**	111,173,187
Less: Cash and bank balances, long-term and short-term bank deposits (note 29) and restricted cash (note 28)	**(22,924,149)**	(21,170,203)
Net debt	**85,841,803**	90,002,984
Total equity	**36,339,312**	29,998,150
Gearing ratio	**236.22%**	300.03%

The gearing ratio for 2018 was lower than that for 2017 as a result of the decrease in borrowings during the year.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2018				
Assets				
Financial assets at FVTPL	**259,477**	**–**	**6,636,349**	**6,895,826**
As at 31 December 2017				
Assets				
Financial assets at FVTPL	96,467	–	–	96,467

Financial assets at FVTPL related to investment in equity fund which invest in automobile business amounting to RMB199,131,000 were transferred in level 3 to level 1 during the year ended 31 December 2018 (2017: there were no transfers between level 1, 2 and 3 during the year.)

The nominal value less impairment provisions of debtors and other receivables and the nominal value of accrued construction costs and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(ii) Financial instruments in level 3

Information about level 3 financial instruments' fair value measurements

The reconciliation of the carrying amounts of the Group's financial instruments within level 3 of the fair value hierarchy is as follows:

	Financial assets at FVTPL 2018 RMB'000	Financial derivatives 2017 RMB'000
At 31 December 2017 (calculated under HKAS 39)	**–**	N/A
Reclassify non-trading unlisted equity securities from available-for-sale financial assets and convertible bonds receivable to financial assets at FVTPL	**4,442,124**	N/A
Fair value changes (note 3.1(ii))	**644,196**	N/A
At 1 January	**5,086,320**	263,822
Additions	**2,016,911**	–
Derecognition	**(32,565)**	(1,129,652)
(Loss)/Gain recognised in profit or loss	**(235,186)**	969,204
Reclassification financial instruments to level 1	**(199,131)**	–
Transferred to other payables	**–**	(104,171)
Exchange differences	**–**	797
At 31 December	**6,636,349**	–

Additions during the year ended 31 December 2018 mainly represented investment fund units in properties development and other businesses in the PRC.

For the financial assets at FVTPL, the fair value change amounting to RMB235,186,000 (2017: nil) was included in "other gains and (losses), net" in the profit or loss for the year ended 31 December 2018. For the financial derivative, the fair value change amounting to RMB969,204,000 were included in "changes in fair value of financial derivatives" in the profit or loss for the year ended 31 December 2017.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(ii) Financial instruments in level 3 (Continued)

The fair value of financial instruments is determined by using the market approach model. The valuation techniques and significant unobservable inputs of the financial assets at FVTPL are as follows:

Valuation techniques	Significant unobservable inputs	Range	Sensitivity relationship of unobservable inputs to fair value
Market approach method	Price to earnings ratios	8.26 to 31.22	Increase (decrease) in price to earnings ratio would result in increase (decrease) in fair value
	Discount for lack of marketability	20%	Increase (decrease) in discount rate would result in increase (decrease) in fair value

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Since one or more of the significant inputs are not based on observable market data, the fair value measurement of these instruments are categorised as level 3. For disclosures of fair value measurement of the Group's investment properties, details are disclosed in note 16 to the consolidated financial statements.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 2017 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	2018		2017	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Borrowings:				
– Senior notes (note 31(a))	**39,726,866**	**30,883,782**	34,752,933	34,795,711

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements during the years ended 31 December 2018 and 2017.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Key estimation of uncertainties

(i) Fair value of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried at fair value in the consolidated statement of financial position and the changes in the fair value recognised in the profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 16 to the consolidated financial statements.

As at 31 December 2018, the aggregate fair value of the Group's investment properties amounted to RMB35,930,000,000 (2017: RMB32,025,830,000) based on the valuation performed by an independent professional valuers.

(ii) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2018, based on management's best estimates, the Group has made a provision of RMB1,505,566,000 (2017: RMB1,733,708,000) for properties under development and completed properties held for sale.

(iii) Prepayments for proposed development projects and deposits for land acquisitions

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2018, the carrying amounts of prepayments for proposed development projects and deposits for land acquisitions are RMB19,080,815,000 (2017: RMB15,925,608,000) and RMB19,445,196,000 (2017: RMB21,422,522,000) respectively.

(iv) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2018, based on management's best estimates, the Group has made a provision of RMB149,316,000 (2017: RMB149,316,000), RMB12,249,000 (2017: RMB12,249,000) and RMB658,685,000 (2017: nil) for property, plant and equipment, land use rights and investments in associates respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Key estimation of uncertainties (Continued)

(v) Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income taxes and withholding taxes on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred tax liabilities would have been increased by the same amount of approximately RMB769,786,000 (2017: RMB971,605,000).

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its land appreciation taxes calculation and payments with any local tax authorities in the PRC for most of its property projects. Accordingly, judgement is required in determining the amount of the land appreciation tax. The Group recognises these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(vi) Intangible assets – contracts with various sports players

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The life of the intangible assets ranges from 1 to 4 years based on the respective sports players' contract. These are reviewed annually on a player by player basis to determine whether there are indicators of impairment. Determining whether the intangible asset should be impaired at the reporting date, factors such as whether the sports player will remain an active member of the playing squad and an assessment of the league that the football team will be playing in, will be taken into account.

As at 31 December 2018, the carrying amount of the intangible asset is RMB234,870,000 (2017: RMB276,823,000).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Key estimation of uncertainties (Continued)

(vii) Provision for impairment of trade debtors and other receivables

Since the initial adoption of HKFRS 9, the Group makes allowances on items subjects to ECL (including debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.12. As at 31 December 2018, the aggregate carrying amounts of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) amounted to RMB1,032,753,000 (net of ECL allowance of RMB23,470,000) and RMB17,186,742,000 (net of ECL allowance of RMB759,694,000 respectively.

Before the adoption of HKFRS 9, the Group assesses at the end of each reporting period whether there is any objective evidence that debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) are impaired. In determining whether there is objective evidence of impairment, the Group takes into consideration the ageing status and the likelihood of collection by reference to the background and repayment history of the debtors and the occurrence of any default or disputes. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on factors such as repayment plans committed by debtors and subsequent collections. An impairment loss is made for debtors of which the present values of future cash flows are less than their carrying amount. As at 31 December 2017, the aggregate carrying amount of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) amounted to RMB1,964,390,000 and RMB9,158,575,000 respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL upon application of HKFRS 9/ other financial instruments before application of HKFRS 9 and credit losses in the periods in which such estimate has been changed.

(viii) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. Details of impairment assessment and key assumptions are disclosed in note 21(a).

(b) Critical accounting judgements

(i) Revenue recognition from sales of properties

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with enforceable right to payment for performance completed to date and those without the right.

The Group recognises property development revenue over time by reference to the progress toward complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

The Group recognised sales of properties over time amounted to RMB5,493,620,000 (note 6) for the year ended 31 December 2018.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgements (Continued)

(ii) Business combinations and control over Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited") ("Kaisa Health Group")

As disclosed in note 39(b), the Group has de facto control over Kaisa Health Group in November 2018 and since then the Group's 42.89% (2017: 41.24%) interest at the completion date of right issue of Kaisa Health Group is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. The Group's equity interest increased from 41.24% as at 31 December 2017 to 42.89% as at 31 December 2018 was due to the Group acquired 63,600,000 shares at a consideration approximately of RMB14,795,000 during the year ended 31 December 2018. The directors of the Company assessed whether the Group has control over Kaisa Health Group based on whether the Group has the practical ability to direct the relevant activities of Kaisa Health Group unilaterally. Key judgments adopted in concluding the Group has obtained control in Kaisa Health Group are: the Group has held a majority of the voting rights exercised at Kaisa Health Group's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; the shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote; and the Group has obtained effective control over majority of the board of Kaisa Health Group.

The valuation of the fair value of the net identifiable assets and liabilities was determined by reference to valuation conducted by an independent professional valuer using valuation technique. The valuation included certain key assumptions that involved significant management judgements and estimation.

The Group recognised, inter alia, intangible assets of RMB589,140,000 and other net assets excluding intangible assets of RMB493,357,000 and goodwill of RMB203,931,000, details of which is set out in note 39(b).

(iii) Classification of financial assets at FVTPL (before 1 January 2018: available-for-sale financial assets)

Note 20 describes that the investment in an unlisted entity is treated as financial assets at FVTPL (before 1 January 2018: available-for-sale financial assets) although the Company has 21.98% effective equity interest in this investee. The Group is entitled to appoint a director of the investee's board of directors out of a total of seven. In making the judgement, the directors of the Company considered the majority ownership of the investee is concentrated by a major shareholder who operate the investee and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes without regard to the views of the Group and concluded that it is not sufficient significant influence over the relevant activities of this investee or to participate in their operations. Accordingly, the investee is classified as financial assets at FVTPL (before 1 January 2018: available-for-sales financial assets).

(iv) Classification of joint arrangements as joint ventures

The Group assesses the existing business structure and terms of contractual arrangement of the joint arrangement agreements and classified the development project transferred to various joint arrangements as joint ventures during the year ended 31 December 2017. Accordingly, the rights to assets and obligations for liabilities in relation to the joint operation is reclassified to the joint ventures, each party involved in these companies determines its equity shareholding based on their relative interest in the joint venture under the contractual terms of the joint arrangement agreements. Details of the joint ventures are set out in note 18(b) to the consolidated financial statements.

6. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Fair value loss of financial derivatives, net fair value loss on financial assets at FVTPL, net gain on repurchase of senior notes, corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of property development, property investment, property management services, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation operation and regarded these being the reportable segments. Following the step acquisition of Kaisa Health Group in 2017, the Group commenced to involve in healthcare business and grouped under other operating segments which was insignificant to present as a separate segment.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the year ended 31 December 2018 consists of the following:

	2018 **RMB'000**	2017 RMB'000
Sales of properties		
– Completed properties held for sale	**29,766,932**	29,126,460
– Properties under development/proposed development project	**6,313,620**	2,079,641
	36,080,552	31,206,101
Rental income (note 16)	**278,592**	249,569
Property management services	**516,221**	315,862
Hotel and catering operations	**249,932**	162,617
Cinema, department store and cultural centre operations	**491,099**	235,463
Water-way passenger and cargo transportation	**810,634**	536,491
Others	**277,937**	73,244
	38,704,967	32,779,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	36,080,552	355,253	948,587	284,014	525,184	833,696	962,829	39,990,115
Less: inter-segment revenue	–	(76,661)	(432,366)	(34,082)	(34,085)	(23,062)	(684,892)	(1,285,148)
Revenue from external customers	36,080,552	278,592	516,221	249,932	491,099	810,634	277,937	38,704,967
Timing of revenue recognition under HKFRS 15								
At a point in time	30,586,932	–	–	–	–	516,140	–	31,103,072
Over time	5,493,620	–	516,221	249,932	491,099	294,494	277,937	7,323,303
Revenue not in the scope of HKFRS 15	–	278,592	–	–	–	–	–	278,592
	36,080,552	278,592	516,221	249,932	491,099	810,634	277,937	38,704,967
Segment results before fair value gain of investment properties, net gain on deemed disposals of subsidiaries, share of results of associates and joint ventures	7,516,709	157,920	100,144	(66,593)	(306,569)	209,450	(222,785)	7,388,276
Net gain on deemed disposals of subsidiaries (note 40)	2,912,593	–	–	–	–	–	–	2,912,593
Share of results of associates	282,202	–	–	–	–	–	(42,289)	239,913
Share of results of joint ventures (note 18(b))	(49,645)	–	–	–	–	–	919	(48,726)
Fair value gain of investment properties (note 16)	–	212,374	–	–	–	–	–	212,374
Segment results	10,661,859	370,294	100,144	(66,593)	(306,569)	209,450	(264,155)	10,704,430
Net fair value loss on financial assets at FVTPL (note 8)								(271,276)
Net gain on repurchase of senior notes (note 8)								142,745
Corporate and other unallocated expenses								(633,227)
Finance income								402,511
Finance costs								(2,573,298)
Finance costs – net (note 9)								(2,170,787)
Profit before income tax								7,771,885
Income tax expenses (note 10)								(4,477,629)
Profit for the year								3,294,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:									
Depreciation (notes 7 and 15)	104,536	5,119	3,880	22,838	11,476	38,955	11,400	1,466	199,670
Amortisation of intangible assets (notes 7 and 21)	–	–	1,316	–	119,323	–	57,689	–	178,328
Amortisation of land use rights (notes 7 and 17)	16,222	–	–	7,423	2,143	–	–	–	25,788
Loss on disposal of investment properties (note 8)	–	7,102	–	–	–	–	–	–	7,102
Impairment loss on interest in an associate (note 8 and 18(a))	–	–	–	–	–	–	658,685	–	658,685
Waiver of other payables (note 8)	–	–	–	–	–	–	(406,326)	–	(406,326)
Write-down of completed properties held for sale and properties under development (note 8)	220,178	–	–	–	–	–	–	–	220,178
Written off of intangible assets (note 8)	–	–	–	–	7,654	–	–	–	7,654

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	426,400,365	37,780,959	4,058,636	4,290,435	2,376,480	24,518,165	1,262,151	(280,473,611)	220,213,580
Unallocated									8,814,460
Total assets									229,028,040
Segment liabilities	331,132,956	6,623,833	2,426,885	3,965,223	3,274,999	17,578,090	3,348,064	(252,153,763)	116,196,287
Unallocated									76,492,441
Total liabilities									192,688,728
Other information:									
Capital expenditure (notes 15, 16, 17 and 21)	56,412	3,529,263	301	449	92,098	109,897	131,206	–	3,919,626
Investments in associates	1,628,382	–	–	–	–	–	596,486	–	2,224,868
Investments in joint ventures (note 18(b))	339,100	–	–	–	–	–	–	–	339,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	31,206,101	283,862	669,159	180,390	434,801	551,721	1,038,328	34,364,362
Less: inter-segment revenue	–	(34,293)	(353,297)	(17,773)	(199,338)	(15,230)	(965,084)	(1,585,015)
Revenue from external customers	31,206,101	249,569	315,862	162,617	235,463	536,491	73,244	32,779,347
Segment results before fair value gain of investment properties, share of results of associates and joint ventures and loss on step acquisition of a subsidiary	6,554,591	135,956	19,222	(78,158)	(540,780)	153,889	(370,647)	5,874,073
Share of results of associates	74,066	–	(1,946)	–	(300)	2,246	(42,381)	31,685
Share of results of joint ventures (note 18(b))	(382)	–	–	–	–	–	419	37
Fair value gain of investment properties (note 16)	–	2,088,849	–	–	–	–	–	2,088,849
Loss on step acquisition of a subsidiary (note 39(b))	–	–	–	–	–	–	(146,258)	(146,258)
Segment results	6,628,275	2,224,805	17,276	(78,158)	(541,080)	156,135	(558,867)	7,848,386
Fair value loss of financial derivatives								(969,204)
Corporate and other unallocated expenses								(460,553)
Finance income								1,486,084
Finance costs								(1,238,286)
Finance income – net (note 9)								247,798
Profit before income tax								6,666,427
Income tax expenses (note 10)								(3,622,579)
Profit for the year								3,043,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:									
Depreciation (notes 7 and 15)	42,305	10,134	1,108	5,938	7,772	36,161	1,478	4,228	109,124
Amortisation of intangible assets (notes 7 and 21)	–	–	–	–	119,027	–	–	–	119,027
Amortisation of land use rights (notes 7 and 17)	3,695	–	–	1,521	2,144	–	–	–	7,360
Write-down of completed properties held for sale and properties under development (note 8)	262,332	–	–	–	–	–	–	–	262,332
Written off of trade and other receivables (note 8)	51,321	–	89,189	–	–	–	–	–	140,510
Written off of intangible assets (note 8)	–	–	–	–	10,468	–	–	–	10,468
Reversal of impairment loss on land use rights (notes 8 and 17)	(2,887)	–	–	–	–	–	–	–	(2,887)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	329,842,097	37,616,411	1,553,818	2,964,885	2,484,709	27,386,862	4,032,470	(197,850,546)	208,030,706
Unallocated									5,357,461
Total assets									213,388,167
Segment liabilities	252,222,094	5,361,023	1,210,529	2,384,989	1,641,563	16,257,045	3,508,674	(173,424,949)	109,160,968
Unallocated									74,229,049
Total liabilities									183,390,017
Other information:									
Capital expenditure (notes 15, 16, 17 and 21)	494,857	3,196,565	2,722	803,666	354,788	107,041	9,524	–	4,969,163
Investments in associates	1,211,110	–	–	–	300	–	3,120,537	–	4,331,947
Investments in joint ventures (note 18(b))	1,405,500	–	–	–	–	–	5,275	–	1,410,775

6. SEGMENT INFORMATION (Continued)

For the years ended 31 December 2018 and 31 December 2017, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

As at 31 December 2018, segment assets of property development segment and others segment included the investments in associates accounted for using the equity method totalling approximately RMB3,944,592,000 and RMB3,128,230,000 (2017: RMB2,051,200,000 and RMB3,233,635,000) respectively. In addition, the segment assets of property development segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB8,670,538,000 and RMB6,614,000 (2017: RMB6,812,423,000 and RMB5,695,000) respectively.

Segment assets consist primarily of property, plant and equipment, investment properties, investments in joint ventures, investments in associates, goodwill and intangible assets, convertible bonds receivable, land use rights, properties under development, completed properties held for sale, inventories, debtors, deposits and other receivables, deposits for land acquisition, prepayments for proposed development projects, restricted cash, short-term bank deposits, long-term bank deposits, and cash and bank balances. They exclude available-for-sale financial assets, financial assets at fair value through profit or loss, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of contract liabilities, advance proceeds received from customers and deposits received, accrued construction costs, operating borrowings and other payables. They exclude deferred tax liabilities, income tax payable and corporate borrowings.

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2018 RMB'000	2017 RMB'000
Auditor's remunerations		
– Audit services	**6,000**	5,500
– Non-audit services	**2,500**	1,900
Advertising and other promotional costs	**504,726**	453,372
Agency fee	**310,920**	253,538
Amortisation of land use rights (note 17)	**25,788**	7,360
Amortisation of intangible assets (note 21)	**178,328**	119,027
Bank charges	**64,161**	45,791
Business taxes and other levies	**298,867**	680,981
Cost of properties sold	**25,309,550**	21,775,815
Depreciation (note 15)	**199,670**	109,124
Direct operating expenses arising from		
– investment properties	**42,594**	23,582
– property management services	**297,161**	220,069
– hotel and catering operations	**73,514**	51,286
– cinema, department store, and cultural centre operations	**264,301**	182,414
– water-way passenger and cargo transportation	**565,156**	335,413
Donations (note)	**81,252**	136,589
Entertainment	**101,893**	57,467
Legal and professional fees	**257,874**	339,985
Office expenses	**165,255**	119,852
Operating lease rental	**57,171**	37,630
Others	**744,994**	624,000
Staff costs – including directors' emoluments (note 13)	**1,841,222**	1,627,862
Travelling	**46,856**	33,816
	31,439,753	27,242,373

Note:

The Group made donations amounted to RMB81,252,000 (2017: RMB136,589,000) during the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER GAINS AND (LOSSES) – NET

	2018 RMB'000	2017 RMB'000
Bad debt recovery of other receivable	–	450,000
Dividend income received from		
– listed financial assets at FVTPL/available-for-sale financial assets	**87**	55
– unlisted financial assets at FVTPL/available-for-sale financial assets	**20,858**	22,214
Provision for ECL (note 4.1 (ii))	**(529,332)**	–
Forfeited customer deposits	**5,505**	16,300
Government subsidy income (note)	**438,645**	89,620
Gain on deemed disposal of an associate (note 39(b))	–	429
(Loss)/Gain on disposal of property, plant and equipment (note 36(a))	**(1,463)**	3,427
Reversal of impairment loss on land use rights (note 17)	–	2,887
Compensation for breach of the contract	–	(254,048)
Net fair value loss on financial assets at FVTPL	**(271,276)**	(24,786)
Impairment loss on interest in an associate (note 18(a))	**(658,685)**	–
Write-down of completed properties held for sale and properties under development	**(220,178)**	(262,332)
Written off of trade and other receivables	–	(140,510)
Written off of intangible assets	**(7,654)**	(10,468)
Waiver of other payables	**406,326**	–
Net gain on repurchase of senior notes (note 31(a))	**142,745**	–
Loss on disposal of investment properties	**(7,102)**	–
Others	**42,828**	(16,242)
	(638,696)	(123,454)

Note:

The amount represents the subsidies received from local government bureaux in the PRC as an incentive for development in specific regions. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

9. FINANCE (COSTS)/INCOME – NET

	2018 RMB'000	2017 RMB'000
Finance income		
Interest income on bank deposits	**208,600**	131,708
Interest income from associates	**3,535**	32,067
Interest income from loans to third parties	**190,376**	22,043
Net exchange gains	**–**	1,300,266
	402,511	1,486,084
Finance costs		
Interest expense		
– Bank borrowings	**3,755,861**	3,725,923
– Senior Notes (note 31(a))	**3,007,885**	2,481,915
– Convertible Bonds (note 31(b))	**–**	99,888
– Other borrowings	**2,253,666**	1,668,835
Total interest expense	**9,017,412**	7,976,561
Less: interest capitalised (note)	**(7,968,385)**	(6,738,275)
	1,049,027	1,238,286
Net exchange losses	**1,524,271**	–
	2,573,298	1,238,286
Finance (costs)/income – net	**(2,170,787)**	247,798

Note: The capitalisation rate of borrowings is 13.62% (2017: 13.32%) for the year.

10. INCOME TAX EXPENSES

	2018 RMB'000	2017 RMB'000
Current income tax		
– PRC enterprise income tax	**2,687,318**	1,919,823
– PRC land appreciation tax	**2,505,458**	1,611,358
Deferred income tax	**(715,147)**	91,398
	4,477,629	3,622,579

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	**7,771,885**	6,666,427
Share of results of associates and joint ventures, net	**(191,187)**	(31,722)
Profit attributable to the Company and subsidiaries	**7,580,698**	6,634,705
Calculated at PRC enterprise income tax rate of 25% (2017: 25%)	**1,895,175**	1,658,676
Effect of different income tax rates of subsidiaries	**238,241**	(16,850)
Income not subject to tax	**(969,320)**	(564,729)
Expenses not deductible for tax purposes	**307,767**	203,919
Tax losses not recognised	**1,151,023**	713,361
Utilisation of previously unrecognised tax losses	**(650,715)**	16,844
PRC enterprise income tax	**1,972,171**	2,011,221
PRC land appreciation tax	**2,505,458**	1,611,358
Income tax expenses	**4,477,629**	3,622,579

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The group companies in the British Virgin Islands ("BVI") were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

10. INCOME TAX EXPENSES (Continued)

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2018 and 2017 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2017: 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

11. DIVIDEND

(a) Dividends attributable to the year

	2018 RMB'000	2017 RMB'000
2018 interim dividends declared of HK3.0 cents (2017: nil) per share	**153,530**	–
Proposed 2018 final dividend of HK9.0 cents (2017: HK11.8 cents) per share	**478,683**	603,729

An interim dividend of HK3.0 cents (equivalent to approximately RMB2.53 cents) per share during the year ended 31 December 2018 was approved at the extraordinary general meeting. The aggregate amount of interim dividend declared from share premium of the Company amounted to HK$182,102,000 (equivalent to approximately RMB153,530,000) (2017: nil).

The Board recommended the payment of a 2018 final dividend of HK9.0 cents (equivalent to approximately RMB7.89 cents) per share, totalling HK$546,317,000 (equivalent to approximately RMB478,683,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, of HK11.8 cents (2017: nil) per share	**603,729**	–

A final dividend in respect of the year ended 31 December 2017 of HK11.8 cents (equivalent to approximately RMB9.95 cents) per share with a scrip dividend alternative was approved at the annual general meeting on 11 June 2018. The aggregate amount of final dividend declared from share premium of the Company amounted to approximately HK$716,082,000 (equivalent to approximately RMB603,729,000).

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,750,206**	3,284,889
Weighted average number of ordinary shares in issue	**6,067,118,267**	5,459,531,620
Basic earnings per share (RMB)	**0.453**	0.602

The calculation of basic earnings per share is based on the Group's profits attributable to owners of the Company of RMB2,750,206,000 (2017: RMB3,284,889,000) and the weighted average number of 6,067,118,267 (2017: 5,459,531,620) ordinary shares, after adjusting for the issue of shares on exercise of share options during the year ended 31 December 2018.

(b) Diluted

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,750,206**	3,284,889

	2018	2017
Weighted average number of ordinary shares in issue during the year	**6,067,118,267**	5,459,531,620
Effect of issue of shares under adjustment for share option scheme	**45,258,367**	80,310,257
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**6,112,376,634**	5,539,841,877
Diluted earnings per share (RMB)	**0.450**	0.593

Diluted earnings per share for the year ended 31 December 2018 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion of all dilutive potential ordinary shares.

The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options.

13. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2018 RMB'000	2017 RMB'000
Wages and salaries	**1,300,232**	923,999
Discretionary bonuses	**42,815**	274,747
Contribution to pension schemes	**61,343**	48,643
Medical benefits	**27,221**	19,815
Share-based payments (note 41)	**260,612**	141,281
Other allowances and benefits	**148,999**	219,377
	1,841,222	1,627,862

Contribution to pension schemes

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund ("MPF") Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% eligible employees' relevant aggregate income.

14. DIRECTORS', CHIEF EXECUTIVE'S REMUNERATION

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefit of Directors) Regulations, is as follows:

	Year ended 31 December 2018					
	Fees RMB'000	Salary RMB'000 (note iv)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share-based payments RMB'000 (note iii)	Total RMB'000
Name of director						
Chairman						
Mr. Kwok Ying Shing (Chairman)	–	3,556	2,588	15	–	6,159
Executive Directors						
Mr. Sun Yuenan (Vice Chairman)	–	11,671	50	40	17,302	29,063
Mr. Yu Jianqing (note i)	–	401	4	3	11,718	12,126
Mr. Zheng Yi *	–	6,864	50	40	47,480	54,434
Mr. Mai Fan *	–	7,558	50	40	5,767	13,415
Mr. Zhang Jianjun (note ii)	–	2,977	2	40	10,966	13,985
Non-Executive Director						
Ms. Chen Shaohuan	–	255	–	–	–	255
Independent Non-Executive Directors						
Mr. Rao Yong	255	–	–	–	807	1,062
Mr. Zhang Yizhao	255	–	–	–	807	1,062
Mr. Liu Xuesheng	255	–	–	–	692	947
Total	765	33,282	2,744	178	95,539	132,508

14. DIRECTORS', CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2017					
	Fees RMB'000	Salary RMB'000 (note iv)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share-based payments RMB'000 (note iii)	Total RMB'000
Name of director						
Chairman						
Mr. Kwok Ying Shing (Chairman)	–	3,598	1,437	15	–	5,050
Executive Directors						
Mr. Sun Yuenan (Vice Chairman)	–	11,403	60	36	9,205	20,704
Mr. Yu Jianqing (note i)	–	8,465	46	36	6,468	15,015
Mr. Zheng Yi *	–	6,645	46	36	9,697	16,424
Mr. Mai Fan *	–	5,066	45	36	3,036	8,183
Non-Executive Director						
Ms. Chen Shaohuan	–	258	–	–	–	258
Independent Non-Executive Directors						
Mr. Rao Yong	258	–	–	–	429	687
Mr. Zhang Yizhao	258	–	–	–	430	688
Mr. Liu Xuesheng	215	–	–	–	364	579
Total	731	35,435	1,634	159	29,629	67,588

* On 19 September 2017, Mr. Zheng Yi resigned as the chief executive officer of the Company and Mr. Mai Fan has been appointed as the chief executive officer of the Company.

Notes:

(i) Resigned on 16 January 2018.

(ii) Appointed on 20 March 2018 and resigned on 4 January 2019.

(iii) Share option benefits represent fair value of share options granted to the relevant director which was charged to the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 2.

(iv) Salary paid to a director is generally an emolument paid or payable in respect of the person's other services in connection with the management of the affairs of the Company and its subsidiary undertakings.

14. DIRECTORS', CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Directors' and chief executive's emoluments (Continued)

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any director as an inducement to join or leave the Group or compensation for loss of office. There were no arrangements under which a director has waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 5 (2017: 4) directors whose emoluments are reflected in note (a) above. The emoluments for the remaining 1 individual for the year ended 31 December 2017 are as follows:

	2017 RMB'000
Salaries and other benefits	3,971
Contribution to pension schemes	15
Share-based payments	2,429
	6,415

The emoluments for the remaining 1 individual for the year ended 31 December 2017 fell within the following bands:

	Number of individuals 2017
HK$7,000,001 to HK$7,500,000	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2017								
Cost	434,973	412,270	–	73,374	430,558	265,881	56,694	1,673,750
Accumulated depreciation and impairment	(86,239)	(136,680)	–	(48,595)	(315,172)	–	–	(586,686)
Net carrying amounts	348,734	275,590	–	24,779	115,386	265,881	56,694	1,087,064
Year ended 31 December 2017								
Opening net carrying amounts	348,734	275,590	–	24,779	115,386	265,881	56,694	1,087,064
Additions	560,123	6,232	2,335	12,260	513,067	40,814	116,433	1,251,264
Acquisitions of subsidiaries (note 39)	–	301,737	10,215	2,109	24,680	–	–	338,741
Transfer	–	–	–	–	–	56,694	(56,694)	–
Transfer to joint ventures	–	–	–	–	(448)	–	–	(448)
Disposals	(6,784)	(683)	–	(935)	(1,404)	(65)	–	(9,871)
Depreciation (notes 6 and 7)	(20,175)	(15,264)	(513)	(3,301)	(30,409)	(39,462)	–	(109,124)
Exchange realignment	–	95	–	(889)	(234)	(5,018)	–	(6,046)
Closing net carrying amounts	881,898	567,707	12,037	34,023	620,638	318,844	116,433	2,551,580
At 31 December 2017								
Cost	986,520	731,689	12,550	85,680	954,726	363,324	116,433	3,250,922
Accumulated depreciation and impairment	(104,622)	(163,982)	(513)	(51,657)	(334,088)	(44,480)	–	(699,342)
Net carrying amounts	881,898	567,707	12,037	34,023	620,638	318,844	116,433	2,551,580
Year ended 31 December 2018								
Opening net carrying amounts	**881,898**	**567,707**	**12,037**	**34,023**	**620,638**	**318,844**	**116,433**	**2,551,580**
Additions	**–**	**26,360**	**14,338**	**17,087**	**137,433**	**65,125**	**47,911**	**308,254**
Acquisitions of subsidiaries (note 39)	**–**	**10,789**	**–**	**29**	**679**	**–**	**–**	**11,497**
Transfer	**–**	**–**	**–**	**–**	**–**	**58,146**	**(58,146)**	**–**
Transfer from properties under development (note 23)	**263,565**	**129,189**	**–**	**–**	**–**	**–**	**–**	**392,754**
Disposals	**–**	**–**	**(4,131)**	**(651)**	**(1,370)**	**(10,990)**	**(389)**	**(17,531)**
Deemed disposals of subsidiaries (note 40)	**–**	**–**	**–**	**(254)**	**(853)**	**–**	**–**	**(1,107)**
Depreciation (notes 6 and 7)	**(52,647)**	**(32,326)**	**(4,531)**	**(8,294)**	**(63,736)**	**(38,136)**	**–**	**(199,670)**
Exchange realignment	**–**	**–**	**3,963**	**460**	**764**	**4,916**	**–**	**10,103**
Closing net carrying amounts	**1,092,816**	**701,719**	**21,676**	**42,400**	**693,555**	**397,905**	**105,809**	**3,055,880**
At 31 December 2018								
Cost	**1,250,085**	**898,027**	**26,720**	**84,353**	**1,083,752**	**480,521**	**105,809**	**3,929,267**
Accumulated depreciation and impairment	**(157,269)**	**(196,308)**	**(5,044)**	**(41,953)**	**(390,197)**	**(82,616)**	**–**	**(873,387)**
Net carrying amounts	**1,092,816**	**701,719**	**21,676**	**42,400**	**693,555**	**397,905**	**105,809**	**3,055,880**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2018, hotel properties and buildings with net carrying amounts of approximately RMB830,432,000 (2017: RMB590,673,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2018, included in hotel properties and buildings, there was a land and building with net carrying amounts of approximately RMB288,570,000 (2017: RMB288,570,000) located in Hong Kong and under medium-term lease, and the remaining balances of hotel properties and buildings of approximately RMB1,505,965,000 (2017: RMB1,161,035,000) was located in the PRC and under medium-term and long-term lease.

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2018 **RMB'000**	2017 RMB'000
Cost of sales	**95,314**	60,150
Administrative expenses	**104,356**	48,974
	199,670	109,124

There was no impairment loss provided for the years ended 31 December 2018 and 2017.

16. INVESTMENT PROPERTIES

	Under construction RMB'000	Completed RMB'000	Total RMB'000
At 1 January 2017	21,974,500	8,716,180	30,690,680
Additions	3,169,299	–	3,169,299
Transfer from completed properties held for sale (note 24)	–	932,202	932,202
Increase in fair value (note 6)	1,625,401	463,448	2,088,849
Transfer to joint ventures	(4,855,200)	–	(4,855,200)
At 31 December 2017 and 1 January 2018	**21,914,000**	**10,111,830**	**32,025,830**
Additions	**3,184,620**	**341,719**	**3,526,339**
Disposal	**–**	**(18,210)**	**(18,210)**
Transfer from completed properties held for sale (note 24)	**–**	**183,667**	**183,667**
Increase in fair value (note 6)	**144,380**	**67,994**	**212,374**
At 31 December 2018	**25,243,000**	**10,687,000**	**35,930,000**

16. INVESTMENT PROPERTIES (Continued)

The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties:

	2018 **RMB'000**	2017 RMB'000
Rental income (note 6)	**278,592**	249,569
Direct operating expenses arising from investment properties that generate rental income	**42,594**	23,582

Valuation processes of the Group

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least annually. For all investment properties, their current use equates to the highest and best use.

Discussions of valuation processes and results are held between the management, audit committee and the valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each of half year-end, the management:

- Verifies major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

16. INVESTMENT PROPERTIES (Continued)

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' estimates of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Significant inputs used to determine fair value

	2018		2017	
	Commercial	**Carpark**	Commercial	Carpark
Capitalisation rate	**3.0% – 6.5%**	**6.5%**	3.0%-6.0%	4.5%
Expected vacancy rate	**0% – 5%**	**N/A**	0.0%-10.0%	N/A
Monthly rental	**RMB26 – 590 per sq.m.**	**RMB2,500 per number**	RMB56-574 per sq.m.	RMB2,400 per number

Capitalisation and discount rates are estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Fair values of commercial properties under development are generally derived using the combination of direct comparison method by making reference to the comparable market transactions for the land portion as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INVESTMENT PROPERTIES (Continued)

Significant inputs used to determine fair value

	2018	2017
Term yield and revisionary yield	**4.35% – 4.75%**	4.75%
Budgeted construction cost (RMB/sq.m.)	**197 – 6,152**	2,500-9,500
Anticipated developer's profit margin	**5% – 20%**	10.0%-20.0%

The higher the term yield and revisionary yield, the lower the fair value.

Estimated costs to complete per square meter and developer's profit margin required are estimated by the valuer based on market conditions at the year end dates. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs, the lower the fair value.

As at 31 December 2018 and 2017, the fair value measurement of the Group's investment properties is categorised at level 3. During the years ended 31 December 2018 and 2017, there were no transfers into or out of level 3.

The Group's investment properties are analysed as follows:

	2018 RMB'000	2017 RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	**33,817,000**	29,576,620
Leases of over 50 years	**2,113,000**	2,449,210
	35,930,000	32,025,830

As at 31 December 2018, the investment properties amounting to RMB19,365,268,000 (2017: RMB15,410,689,000) were pledged as collateral for the Group's borrowings (note 31).

17. LAND USE RIGHTS

	2018 RMB'000	2017 RMB'000
At 1 January	**395,815**	163,178
Additions	**–**	238,301
Transfer from properties under development (note 23)	**299,051**	–
Amortisation – expensed in administrative expenses (note 7)	**(25,788)**	(7,360)
Reversal of impairment loss (note 8)	**–**	2,887
Transfer	**–**	(1,191)
At 31 December	**669,078**	395,815
In PRC, held on:		
Leases of over 50 years	**22,306**	22,802
Leases of between 10-50 years	**646,772**	373,013
As 31 December	**669,078**	395,815

As at 31 December 2018, land use rights with net carrying amounts totalling RMB268,675,000 (2017: RMB287,829,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2018, land use rights amounted to RMB12,249,000 (2017: RMB12,249,000) were impaired.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates

	2018 RMB'000	2017 RMB'000
Cost of investments in associates, less accumulated impairment		
– Listed	**2,020,256**	2,677,741
– Unlisted	**4,843,875**	2,620,207
Share of post-acquisition profit/(loss) and other comprehensive profit/(loss), net of dividend received	**208,691**	(13,113)
	7,072,822	5,284,835
Fair value of listed investments	**1,134,144**	1,871,289

For the year ended 31 December 2018, the Group entered into agreements with third parties to acquire four immaterial associates in aggregate amounts of RMB325,238,000 and, the Group injected additional capital amounting to RMB331,630,000 into certain associates. In addition, the Group entered into cooperation agreement with other investor to set up a company to obtain development projects to redevelop. The Group and the investor agreed to contribute RMB1,568,000,000 and RMB1,632,000,000 to the company, Fuzhou Xin De Yuan Property Development Co., Ltd ("Xin De Yuan") respectively.

As at 31 December 2018, the fair value of the Group's interests in associates Nam Tai Property Inc. ("Nam Tai") and Kaisa JiaYun Technology Inc. ("JiaYun Technology") (previously known as Guangdong Mingjia Lianhe Mobile Technology Co., Ltd. ("Mingjia Lianhe"), which are listed in the New York Stock Exchange and Shenzhen Stock Exchange was RMB547,535,000 and RMB586,609,000 (2017: RMB753,705,000 and RMB1,117,584,000) respectively based on the market prices available on the respective stock exchanges, which is level 1 input in terms of HKFRS 13, Fair value measurement.

Management has reviewed the shortfall between the carrying amount of a Shenzhen Stock Exchange listed associate, JiaYun Technology, and the market value of JiaYun Technology at the end of the reporting period. The management considers that the value in use based on discounted future cash flows of JiaYun Technology is lower than the carrying amount and the market value of JiaYun Technology, hence, impairment loss on interest in an associate amounting to RMB658,685,000 (2017: nil) is recognised during the year ended 31 December 2018.

Set out below are details of associates of the Group as at 31 December 2018 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Particular of issued and paid up capital	Proportion of the issued capital/ interest held by the Group	Principal activity
Fuzhou Xin De Yuan Property Development Co., Ltd ("Xin De Yuan")	the PRC	RMB50,000,000	49.0% (2017: N/A)	Property development
Nam Tai (note i & ii)	British Virgin Islands	US$257,507 (2017: US$250,232)	24.07% (2017: 24.5%)	Property development and management
JiaYun Technology (note ii & iii)	the PRC	634,555,224 (2017: 636,332,984) shares	21.31% (2017: 21.25%)	Internet marketing

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

Note:

i. During the year ended 31 December 2017, the Group completed the acquisition of 24.5% and 21.25% equity interest in Nam Tai and JiaYun Technology at the total consideration of RMB919,705,000 and RMB1,758,036,000 respectively, Nam Tai and JiaYun Technology are listed on the New York Stock Exchange and Shenzhen Stock Exchange, respectively.

ii. There was exercise of 636,000 share options of Nam Tai during the year ended 31 December 2018. The number of shares of Nam Tai increased approximately from 37,551,000 shares to 38,187,000 shares. Accordingly, the Group's equity interest in Nam Tai decreased from 24.50% at 31 December 2017 to 24.07% at 31 December 2018.

iii. During the year ended 31 December 2018, JiaYun Technology held the directors' and shareholders' meeting to repurchase and cancel 1,777,760 restricted shares issued to the incentive participants. The number of issued shares of JiaYun Technology decreased from 636,332,984 shares to 634,555,224 shares. Accordingly, the Group equity's interest in JiaYun Technology increased from 21.25% at 31 December 2017 to 21.31% at 31 December 2018.

* The english translation of the name of the company established in the PRC is for reference only. The official name of the Company is in Chinese.

The following table illustrates of the summarised financial information in respect of Kaisa Health Group for the period up to 13 November 2017, when the step acquisition of Kaisa Health Group was completed, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Kaisa Health Group at the completion dates of acquisition by the Group in prior year, and reconciled to the carrying amount in the consolidated financial statements:

	Kaisa Health Group 2017 RMB'000
Current assets	–
Non-current assets	–
Current liabilities	–
Non-current liabilities	–
Net assets	–
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	n/a
Carrying amount of the investment	–
Goodwill	–
Carrying amount of the Group's investment	–
Revenue	179,915
Profit for the period since acquisition from continuing operations	8,604
Loss for the period from disconnected operations	(2,446)
Profit for the period since acquisition	6,158
Other comprehensive income for the period since acquisition	6,621
Total comprehensive income for the period since acquisition	12,779

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The following table illustrates the summarised financial information in respect of Xian De Yuan, Nam Tai and JiaYun Technology for the period since acquisition/year, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Nam Tai and JiaYun Technology at the completion dates of the acquisitions by the Group in prior year, and reconciled to the carrying amount in the consolidated financial statements:

	Xin De Yuan 2018 RMB'000	Nam Tai 2018 RMB'000	JiaYun Technology 2018 RMB'000
Current assets	3,200,008	4,065,321	1,729,583
Non-current assets	–	902,520	736,248
Current liabilities	(13)	(619,109)	(1,118,105)
Non-current liabilities	–	(696,096)	(94,372)
Net assets	3,199,995	3,652,636	1,253,354
Reconciliation to the Group's interest in the associates:			
Proportion of the Group's ownership	49.0%	24.07%	21.31%
Carrying amount of the investment	1,567,998	879,189	267,090
Goodwill, net of accumulated impairment	–	–	819,085
Carrying amount of the Group's investment	1,567,998	879,189	1,086,175
Revenue for the period since capital injection/year	–	3,384	5,610,196
Total expenses for the period since capital injection/year	(5)	(173,625)	(5,673,417)
Income tax expense for the period since capital injection/year	–	–	(2,567)
Loss for the period since capital injection/year	(5)	10,994	(61,231)
Other comprehensive loss for the period since capital injection/year	–	(71,631)	(4,316)
Total comprehensive loss for the period since capital injection/year	(5)	(82,625)	(65,547)

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

	Nam Tai 2017 RMB'000	JiaYun Technology 2017 RMB'000
Current assets	4,289,073	1,103,611
Non-current assets	253,796	763,877
Current liabilities	(121,620)	(449,832)
Non-current liabilities	(685,988)	(98,755)
Net assets	3,735,261	1,318,901
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	24.50%	21.25%
Carrying amount of the investment	915,139	280,266
Goodwill	–	1,477,770
Carrying amount of the Group's investment	915,139	1,758,036
Revenue	1,272	–
Loss for the period since acquisition	(16,844)	–
Other comprehensive income for the period since acquisition	15,361	–
Total comprehensive loss for the period since acquisition	(1,483)	–
Dividend received from associates	4,203	–

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Share of the associates profit for the year/period since acquisitions/capital injection	**255,661**	30,271
Aggregate carrying amounts of the Group's interests in these associates	**3,539,460**	2,611,660

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2018 RMB'000	2017 RMB'000
At 1 January	**6,818,118**	931,751
Additions (note i)	**339,100**	1,410,775
Transfer from subsidiaries (note 40)	**1,568,660**	–
Reclassification (note ii)	**–**	4,484,925
Disposal	**–**	(9,370)
Share of results of joint ventures	**(48,726)**	37
At 31 December	**8,677,152**	6,818,118

Note:

(i) For the year ended 31 December 2018, the Group entered into agreements with third parties to acquire three immaterial joint ventures in aggregate amounts of RMB339,100,000. For the year ended 31 December 2017, the Group entered into agreements with third parties to acquire four immaterial joint ventures in aggregate amount of RMB10,775,000 and a material joint venture namely Guangzhou Nantian Company Limited* ("Nantian") of RMB1,400,000,000. Nantian is engaged in property leasing and development.

(ii) During the year ended 31 December 2017, the Group assessed the existing business structure of the joint arrangement in relation to acquisition and development of a parcel of land located in Dapeng Xiasha in Shenzhen, which the Group and the joint arrangement partner agreed to set up three entities, namely Shenzhen Jiade Travelling Company Limited*, Shenzhen Jiafu Travelling Company Limited* and Shenzhen Zhaofu Travelling Company Limited*. These companies share similar risk characteristics, and therefore these companies are collectively referred to as "JVs for Dapeng Xiasha Development Project" and present in aggregate. In accordance with the joint arrangement, the decisions about relevant activities in these entities require unanimous consent of the parties sharing control. During the preliminary stage of development, the respective land was owned by the Group and the joint arrangement partner separately, and therefore the management accounted for joint operation under this joint arrangement.

The Group and the joint arrangement partner transferred their respective lands to these three entities, the Group is entitled to share the net asset of these three entities according to its interests in the ownership set out in the joint venture agreement. Accordingly, the management decided to reclassify the assets and liabilities of the former joint operation to the interests in joint ventures during the year ended 31 December 2017.

* The english translation of the name of the company established in the PRC is for reference only. The official name of the Company is in Chinese.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

Set out below are details of joint ventures of the Group as at 31 December 2018 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Proportion of the issued capital/interest held by the Group	Principal activity
Huizhou City Kaileju Company Limited* ("Kaileju") 惠州市愷樂居置業有限公司	the PRC	51% (2017: 51%)	Property development
Guangzhou Nantian Company Limited* ("Nantian") 廣州南天商業大廣場建設發展有限公司	the PRC	50% (2017: 50%)	Property leasing and development
JVs for Dapeng Xiasha Development Project 大鵬下沙合營發展項目	the PRC	51% (2017: 51%)	Property development

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The Group shares control in the above entities with other shareholders, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

The Group has not incurred any contingent liabilities by other commitments relating to its investment in joint venture (2017: nil).

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

The following table illustrates of the summarised financial information in respect of JVs for Dapeng Xiasha Development Project, Nantian and Kaileju for the year, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Nantian and Kaileju as at the completion dates of acquisitions by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	JVs for Dapeng Xiasha Development Project 2018 RMB'000	Nantian 2018 RMB'000	Kaileju 2018 RMB'000
Current assets	3,328,308	3,449,257	3,963,689
Non-current assets	11,858,451	79,020	546
Current liabilities	(1,130,901)	(477,149)	(731,910)
Non-current liabilities	(5,340,150)	(241,729)	(1,449,920)
Net assets	8,715,708	2,809,399	1,782,405
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	465,362	479	267,014
Non-current financial liabilities (excluding trade and other payables and provision)	(5,340,150)	(241,612)	(1,449,920)
Current financial liabilities (excluding trade and other payables and provision)	–	(4,443)	(476,604)
Reconciliation to the Group's interests in the joint ventures			
Proportion to the Group's ownership	51%	50%	51%
Carrying amount of the Group's investment	4,445,011	1,404,700	909,027
Revenue	1,746	36,440	–
Profit/(Loss) for the year and total comprehensive income/(loss) for the period/year	(78,262)	2,811	(19,964)
The above profit/(loss) for the year including the following:			
Interest expenses	3,408	15,216	434
Depreciation	412	–	–
Income tax expenses	–	323	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

	JVs for Dapeng Xiasha Development Project 2017 RMB'000	Nantian 2017 RMB'000	Kaileju 2017 RMB'000
Current assets	989,029	3,182,375	2,783,507
Non-current assets	12,238,863	52,748	652
Current liabilities	(3,219,623)	(104,889)	(981,790)
Non-current liabilities	(1,214,299)	(323,646)	–
Net assets	8,793,970	2,806,588	1,802,369
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	367	6,745	57,301
Current financial liabilities (excluding trade and other payables and provision)	–	–	(47,937)
Non-current financial liabilities (excluding trade and other payables and provision)	(1,214,299)	(323,554)	–
Reconciliation to the Group's interest in the joint ventures			
Proportion to the Group's ownership	51%	50%	51%
Carrying amount of the Group's investment	4,484,925	1,403,294	919,208
Revenue	–	71,652	–
Profit/(Loss) for the period/year and total comprehensive income/(loss) for the period/year	–	6,588	(6,224)
The above profit/(loss) for the period/year including the following:			
Income tax expenses	–	2,298	–

Set out below are the aggregate financial information of joint ventures that are not individually material:

	2018 RMB'000	2017 RMB'000
The Group's share of loss for the year/period	**(36)**	(83)
Carrying amount of the Group's interest in these joint ventures	**1,918,414**	10,691

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	2018 RMB'000	2017 RMB'000
At 1 January	–	167,642
Additions (notes ii & iii)	–	4,234,258
Disposals	–	(1,104)
At 31 December (note i)	–	4,400,796
Less: non-current portion	–	(4,400,796)
Current portion	–	–

Available-for-sale financial assets include the following:

	2018 RMB'000	2017 RMB'000
Unlisted equity investments, at cost	–	4,400,796

Notes:

(i) Available-for-sale financial assets were reclassified to financial assets at FVTPL (note 20) upon the initial application of HKFRS 9 at 1 January 2018, see note 3 in details.

(ii) During the year ended 31 December 2017, the Group invested in an unlisted entity engaged in financial service business amounting to RMB3,976,000,000. At the date of acquisition, the Group obtained 21.98% equity interest in this entity. As discussed in note 5(b)(iii) to the consolidated financial statements, the directors of the Company consider that the Group has no sufficient significant influence on the entity and classified as available-for-sale financial assets.

(iii) The Group invested an unlisted investment of RMB199,131,000 in a private equity fund which invest in the automobiles business, and other unlisted investment of RMB35,100,000 and RMB24,027,000 mainly represents the Group's cost of investments in unlisted equity funds and private enterprises respectively. These private enterprises are engaged in holding and chartering of the vessels, investment holding and etc.

As at 31 December 2017, unlisted equity investments with an aggregate carrying amount of RMB4,400,796,000 were stated at cost less accumulated impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of these investments in the near future. During the years ended 31 December 2017, no impairment loss was recognised.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at 31 December 2017.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL include the following:

	2018 RMB'000	2017 RMB'000
Listed securities:		
Equity securities – outside Hong Kong (note i)	**259,477**	96,467
Unlisted securities:		
Equity securities – outside Hong Kong (note ii)	**6,568,919**	–
Debt securities – outside Hong Kong (note iii)	**67,430**	–
At 31 December	**6,895,826**	96,467
Less: non-current portion	**(6,567,622)**	–
Current portion	**328,204**	96,467

The fair value of the Group's investments in listed and unlisted securities has been measured as note 4.3.

Note:

i. The fair value measurement of such investments are classified as level 1 fair value measurement which are based on the quoted price from active markets. There was an investment in equity fund of RMB199,131,000 (2017: available-for-sale financial assets of RMB199,131,000) which invested in automobile business had been listed during the year ended 31 December 2018. Hence, the investments in level 3 fair value measurement transferred to level 1 fair value measurement. For the year ended 31 December 2018, the Group was recognised a fair value loss of RMB36,090,000 (2017: RMB24,786,000) in respect of the fair value change in profit or loss.

ii. The unlisted equity securities mainly represented the Group's investments in (i) an unlisted equity engaged in financial service business amounting to RMB4,385,010,000 (2017: available-for-sale financial assets of RMB3,976,000,000), (ii) unlisted equity funds which invested in class A participating shares, health care business and etc amounting to RMB1,949,784,000 (2017: available-for-sale financial assets of RMB35,100,000) and (iii) other unlisted investments in private enterprises amounting to RMB234,125,000 (2017: available-for-sale financial assets of RMB24,070,000). See note 19(ii) and 19(iii). The Group has recognised a fair value loss of RMB237,557,000 (2017: nil) in respect of the fair value changes in the profit or loss.

iii. It represented the convertible bonds receivable which were subscribed by Kaisa Health Group. The convertible bonds receivable (note 22) was reclassified to financial assets at FVTPL upon initial application of HKFRS 9 at 1 January 2018. The Group has recognised a fair value gain of RMB2,371,000 in respect of the fair value changes in the profit or loss.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at and 31 December 2018 and 31 December 2017.

21. GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000 (note a)	Contracts with sports players RMB'000 (note b)	Trademarks and patent RMB'000 (note c)	Customer relationship RMB'000 (note c)	Technology RMB'000 (note c)	Distribution network RMB'000 (note c)	Others RMB'000	Total RMB'000
Cost								
At 1 January 2017	121,779	181,815	–	–	–	–	–	303,594
Acquisitions of subsidiaries (note 39)	210,600	–	23,600	59,700	8,440	497,400	7,895	807,635
Additions	–	310,299	–	–	–	–	–	310,299
Written off	–	(18,856)	–	–	–	–	–	(18,856)
At 31 December 2017 and 1 January 2018	**332,379**	**473,258**	**23,600**	**59,700**	**8,440**	**497,400**	**7,895**	**1,402,672**
Additions	**–**	**85,024**	**9**	**–**	**–**	**–**	**–**	**85,033**
Written off	**–**	**(28,943)**	**–**	**–**	**–**	**–**	**–**	**(28,943)**
At 31 December 2018	**332,379**	**529,339**	**23,609**	**59,700**	**8,440**	**497,400**	**7,895**	**1,458,762**
Accumulated amortisation								
At 1 January 2017	–	85,796	–	–	–	–	–	85,796
Amortisation – expensed in administrative expenses (notes 7)	–	119,027	–	–	–	–	–	119,027
Written off	–	(8,388)	–	–	–	–	–	(8,388)
As 31 December 2017 and 1 January 2018	**–**	**196,435**	**–**	**–**	**–**	**–**	**–**	**196,435**
Amortisation – expensed in administrative expenses (notes 7)	**–**	**119,323**	**2,126**	**8,408**	**2,344**	**44,811**	**1,316**	**178,328**
Written off	**–**	**(21,289)**	**–**	**–**	**–**	**–**	**–**	**(21,289)**
At 31 December 2018	**–**	**294,469**	**2,126**	**8,408**	**2,344**	**44,811**	**1,316**	**353,474**
Net carrying amounts								
At 31 December 2018	**332,379**	**234,870**	**21,483**	**51,292**	**6,096**	**452,589**	**6,579**	**1,105,288**
At 31 December 2017	332,379	276,823	23,600	59,700	8,440	497,400	7,895	1,206,237

21. GOODWILL AND INTANGIBLE ASSETS (Continued)

Note:

(a) The Group's goodwill arose from business combinations in connection with the acquisition of (i) Kaisa Health Group, (ii) Fujian Jianke Insurance Brokers Co. Ltd.* ("Fujian Jianke"), (iii) Shenzhen Qijia Internet Technology Co. Ltd.* ("Qijia"), (iv) Shanghai Yitao Sports Culture Communication Co., Ltd.* (上海毅濤體育文化傳播有限公司) and its subsidiary (collectively referred to as "Shanghai Yitao Group") and (v) Shenzhen Football Co., Ltd. ("Shenzhen Football Club").

For the purpose of impairment testing, goodwill has been allocated to five cash-generating units ("CGUs") of RMB121,493,000 (2017: RMB121,493,000) in sports operations included in cinema, department store and cultural centre operations segment, RMB286,000 (2017: RMB286,000) in entertainment operations included in cinema, department store and cultural centre operations segment, RMB203,931,000 (2017: RMB203,931,000) in healthcare operations included in other segment, RMB2,462,000 (2017: RMB2,462,000) in financial service operations included in other segment and RMB4,207,000 (2017: RMB4,207,000) in property management operations included in property management segment.

The recoverable amounts of the CGUs are determined by directors of the Company based on value-in-use calculations. These calculations use in cash flow projections in relation to the CGU of sports operations based on financial budgets approved by management covering a 5-year (2017: 9-year) period and assumed the growth rate and inflation rate of 22.9% (2017: 8%) per annum and 3% (2017: 3%) per annum respectively. The cash flow discounted using a pre-tax discount rate of 12% (2017: 12%) and reflects specifics risks relating to the relevant segments. The financial budgets are prepared based on 5-year (2017: 9-year) business plan which is appropriate after considering the sustainability of business growth and achievement of business target extrapolated from a track record of financial results. The value assigned to the key assumptions on market development and discount rates are consistent with external information sources. As at 31 December 2018, the Directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised (2017: nil).

In relation to the health business, the recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management for the year ending 31 December 2019 (2017: 2018) and the following four years based on average growth rate of 35.5% (2017: 38.1%) per annum. Cash flows beyond the five-year period are extrapolated using 3% (2017: 3%) growth rate. A discount rate of 19.0% (2017:19.5%) is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

(b) The amounts represent the costs to acquire sports players' contracts or to extend their contracts, including the related agent's fees. The amortisation period ranged from 1 to 4 (2017: 1 to 4) years.

(c) The trademarks and patent, customer relationship, technology and distribution network were measured at their fair values at the date of acquisition, i.e. November 2017 and the valuation of the intangible assets is performed by D&P China (HK) Limited, an independent professional valuer not related to the Group. The fair value of these intangible assets at the date of acquisition was determined based on the income approach by estimating the future income arising from these intangible assets and the cost approach by reference to the financial information provided by the Group. The expected useful lives of these intangible assets ranged from 5 to 11 (2017: 5 to 11) years.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

22. CONVERTIBLE BONDS RECEIVABLE

Convertible bonds were subscribed by Kaisa Health Group in 2016 with an aggregate principal amount of EUR5,000,000. The bonds carried interest of 5% per annum payable on the third anniversary of the date of issue, and are denominated in Euro. As at 31 December 2017, the Group can either redeem the bond or exercise the right to subscribe equity securities from the issuers.

The convertible bonds were initially measured at transaction price, which was also the fair value resulted from arm's length market transaction, and subsequently stated at cost, accrued interest less impairment as the conversion option of the hybrid instrument is sufficiently significant to preclude the Group from obtaining a reliable estimate of the entire instrument.

Details of movement is set out below:

	2018 **RMB'000**	2017 RMB'000
Balance as at 1 January	**–**	–
Acquisition of a subsidiary (note 39(b))	**–**	39,794
Exchange realignment	**–**	146
Interest income	**–**	1,388
Balance as at 31 December	**–**	41,328

Note: Convertible bonds receivable was reclassified to financial assets at FVTPL (note 20) upon the initial application of HKFRS 9 at 1 January 2018, see note 3 in details.

23. PROPERTIES UNDER DEVELOPMENT

	2018 **RMB'000**	2017 RMB'000
Amount comprises:		
Construction costs	**11,767,912**	16,984,725
Interest capitalised	**11,843,586**	12,409,299
Land use rights	**41,520,753**	39,152,558
	65,132,251	68,546,582
Less: Provisions for properties under development	**(367,913)**	(480,169)
	64,764,338	68,066,413

The properties under development were located in the PRC and are stated at cost.

During the year ended 31 December 2018, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB392,754,000 (2017: nil) (note 15) and RMB299,051,000 (2017: nil) (note 17) were transferred to property, plant and equipment and land use right respectively.

During the year ended 31 December 2018, the provision for properties under development of RMB36,425,000 (2017: RMB63,853,000) in aggregate were transferred to the provision for completed properties held for sale (note 24).

As at 31 December 2018, the net aggregate amount of properties under development of approximately RMB43,079,449,000 (2017: RMB35,769,533,000) were pledged as collateral for the Group's borrowings (note 31).

24. COMPLETED PROPERTIES HELD FOR SALE

	2018 **RMB'000**	2017 RMB'000
Completed properties held for sale	**14,268,187**	19,424,505
Less: Provision for completed properties held for sale	**(1,137,653)**	(1,253,539)
Balance as at 31 December	**13,130,534**	18,170,966

The completed properties for sale were located in the PRC under medium-term and long-term lease. Completed properties held for sale which are expected to be recovered in more than twelve months after the reporting date are classified under current assets as it is expected to be realised in the Group's normal operating cycle.

During the year ended 31 December 2018, certain items of the Group's completed properties held for sale with an aggregate carrying value of approximately RMB183,667,000 (2017: RMB932,202,000) (note 16) were transferred to investment properties.

For the year ended 31 December 2018, completed properties held for sale of RMB296,009,000 (2017: RMB346,129,000) were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC. In addition, the provision for completed properties held for sale of RMB36,425,000 (2017: RMB63,853,000) in aggregate were transferred from the provision for properties under development (note 23) during the year ended 31 December 2018.

As at 31 December 2018, the net aggregate amount of completed properties held for sale of approximately RMB7,267,213,000 (2017: RMB12,786,413,000) were pledged as collateral for the Group's borrowings (note 31).

25. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade debtors – net (note a)	**1,009,283**	1,964,390
Other receivables (note b)	**7,021,735**	2,268,769
Other deposits (note b)	**2,973,288**	3,979,177
Prepayments (note d)	**3,542,639**	2,531,677
Prepaid other taxes	**2,514,359**	1,293,895
Restricted deposit for borrowings from non-financial institution (note b)	**1,969,293**	1,960,203
Amounts due from associates (note b)	**4,045,190**	20,498
Amounts due from joint ventures (note b)	**891,612**	879,210
Amount due from non-controlling interest of a subsidiary (note b)	**1,045,318**	50,718
	24,003,434	12,984,146
Less: allowance for impairment (note c)	**(759,694)**	–
Deposits, prepayments and other receivables – net	**23,243,740**	12,984,146
Total debtors, deposits and other receivables – net	**24,253,023**	14,948,537
Less: non-current portion		
Other receivables (note b)	**(744,046)**	(584,880)
Other deposits (note b)	**(908,806)**	(238,980)
Non-current portion	**(1,652,852)**	(823,860)
Current portion	**22,600,171**	14,124,677

As at 31 December 2018 and 2017, the carrying amounts of debtors, deposits, other receivables, amounts due from associates, amounts due from joint ventures and amount due from non-controlling interest of a subsidiary approximate their fair values.

25. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Trade debtors mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	2018 RMB'000	2017 RMB'000
Within 90 days	**730,411**	240,801
Over 90 days and within 180 days	**24,598**	10,512
Over 181 days and within 270 days	**50,376**	1,612,128
Over 271 days and within 365 days	**5,841**	1,006
Over 365 days	**221,527**	99,943
	1,032,753	1,964,390
Less: allowance for impairment (note c)	**(23,470)**	–
	1,009,283	1,964,390

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB23,470,000 was made against the gross amount of trade receivables (2017: RMB27,915,000 (note 4.1(ii)).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers as at 31 December 2018. Significant concentration of risk exists where the Group has material exposures to the trade receivables from sales of proposed development project from one customer located in Mainland China which accounted for 81.3% of the total trade debtors at 31 December 2017.

Included in the Group's trade debtors of RMB408,243,000 and RMB40,831,000 as at 31 December 2018 and 2017, respectively, were not yet due. The balances mainly represented receivables from sales of commercial and residential properties and property under development (2017: commercial and residential properties and proposed development project) to independent third parties. These receivables were repayable within six months to nine months (2017: one year) after the completion of certain legal documents, which were expected to be settled in the next year.

Receivables that were past due but not impaired related to the balances primarily represented receivables from residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans, and sales of proposed development project.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(b) Details of deposits and other receivables are as follows:

	2018 RMB'000	2017 RMB'000
Other receivables (note i)	**7,021,735**	2,268,769
Other deposits (note ii)	**2,973,288**	3,979,177
Restricted deposit for borrowings from non-financial institution (note iii)	**1,969,293**	1,960,203
Amounts due from associates (note iv)	**4,045,190**	20,498
Amounts due from joint ventures (note iv)	**891,612**	879,210
Amount due from non-controlling interest of a subsidiary (note iv)	**1,045,318**	50,718
	17,946,436	9,158,575
Less: allowance for impairment (note c)	**(759,694)**	–
Deposits, prepayment and other receivables – net	**17,186,742**	9,158,575

(i) These receivables mainly included bills receivables, interest receivables and amounts to be refunded by the government in relation to the land acquisition in the PRC.

As at 31 December 2018, there are other receivables amounting to RMB1,370,176,000 (2017: RMB895,256,000) are unsecured, carry at interest rate ranging from 3.8% to 12% (2017: 3.8% to 12%) p.a. and repayable in 2019 (2017: 2018).

Included in other receivables, those which are repayable over 1 year amounting to RMB744,046,000 (2017: RMB584,880,000) are classified as non-current assets.

(ii) Other deposits mainly represented deposits for acquisitions of subsidiaries amounted to RMB279,040,000 (2017: RMB144,402,000), acquisitions of associate amounted to RMB629,766,000 (2017: RMB238,980,000), refundable deposit to redevelopment project partner for the purpose of the project amounted to RMB1,007,361,000 (2017: RMB2,940,376,000) and other deposits amounted to RMB1,057,121,000 (2017: RMB655,419,000).

(iii) The amount represented non-interest bearing deposit restricted for borrowings from non-financial institution.

(iv) The amounts are unsecured, interest-free and repayable on demand, and expected to be recovered within 12 months from the reporting date and is therefore classified as current asset.

(v) The carrying amounts of the Group's receivables are mainly denominated in RMB and USD.

25. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(c) Impairment losses in respect of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) directly. The movement in the allowance for impairment of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) is disclosed in note 4.1(ii).

(d) Prepayments mainly represent prepayments for purchase of construction materials and services.

(e) The maximum credit risk exposure is the amount shown on the consolidated statement of financial position.

26. DEPOSITS FOR LAND ACQUISITION

Deposits for land acquisition arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained. The carrying amounts of the Group's deposits for land acquisition are mainly denominated in Renminbi.

27. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas and other development projects with independent third parties and has made prepayments in accordance with the terms of these respective contracts. These prepayments would be converted into properties under development upon the completion of the contracts.

28. RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain subsidiaries of the Group engaged in property development are required to place in designated bank accounts certain amount of proceeds from pre-completion sale of properties as guaranteed deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and construction of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2018, such guaranteed deposits amounted to RMB3,707,171,000 (2017: RMB3,598,458,000). They will be released after the construction of the relevant properties is completed or the related property ownership certificates are issued, whichever is earlier.

(b) As at 31 December 2018, the Group's cash of RMB160,656,000 (2017: RMB193,632,000) was deposited in certain banks as guaranteed deposits for the benefit of mortgage loan facilities (note 37) granted by the banks to the purchasers of the Group's properties.

(c) As at 31 December 2018, the Group's cash of RMB2,916,332,000 (2017: RMB4,136,943,000) was deposited in certain banks as guaranteed deposits for borrowings (note 31).

(d) As at 31 December 2018, the Group's cash of RMB8,133,000 (2017: RMB10,541,000) was deposited in certain banks as guaranteed deposits for issuance of bills payables and settlement of tax.

29. LONG-TERM BANK DEPOSITS, RESTRICTED CASH, SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES

	2018 RMB'000	2017 RMB'000
Long-term bank deposits	**400,000**	–
Restricted cash (note 28)	**6,792,292**	7,939,574
Short-term bank deposits	**252,718**	1,232,206
Cash and bank balances	**15,479,139**	11,998,423
	22,924,149	21,170,203

Note:

The effective interest rates and maturities of bank deposits in the PRC are ranged from 1.95% to 3.85% (2017: 2.00% to 3.75%) per annum and from 3 to 36 months (2017: 6 to 12 months) as at 31 December 2018.

As at 31 December 2018, short-term bank deposit of RMB200,000,000 (2017: RMB1,021,949,000) were pledged as collateral for the Group's borrowings (note 31).

29. LONG-TERM BANK DEPOSITS, RESTRICTED CASH, SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES (Continued)

Long-term bank deposits, restricted cash, short-term bank deposits and cash and bank balances are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
Denominated in – RMB	**22,399,434**	17,499,846
Denominated in – HKD	**250,387**	1,716,425
Denominated in – USD	**262,589**	1,951,373
Denominated in – EUR	**11,739**	2,559
	22,924,149	21,170,203
Less: Restricted cash (note 28)	**(6,792,292)**	(7,939,574)
Less: Short-term bank deposits	**(252,718)**	(1,232,206)
Less: Long-term bank deposits	**(400,000)**	–
Cash and bank balances	**15,479,139**	11,998,423

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

30. CONTRACT LIABILITIES / ADVANCE PROCEEDS RECEIVED FROM CUSTOMERS AND DEPOSITS RECEIVED

The amount of RMB39,154,089,000 (2017: RMB29,564,933,000) represents deposits and instalments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 January 2018.

Upon the adoption of HKFRS 15, amounts previously included as "advance proceeds received from customers and deposits received" were reclassified to contract liabilities.

31. BORROWINGS

	Notes	2018 RMB'000	2017 RMB'000
Borrowings included in current liabilities:			
Senior Notes	(a)	**2,963,540**	–
Bank borrowings – secured	(c)	**2,893,985**	6,824,887
Bank borrowings – unsecured	(c)	**1,629,373**	1,606,325
Other borrowings – secured	(c)	**4,490,557**	6,255,979
Other borrowings – unsecured	(c)	**3,638,908**	6,273,065
Loan from a related company	(d)	**108,781**	108,781
Loans from associates	(e)	**1,240,550**	1,104,000
		16,965,694	22,173,037
Borrowings included in non-current liabilities:			
Senior Notes	(a)	**36,763,326**	34,752,933
Bank borrowings – secured	(c)	**34,902,751**	36,469,412
Bank borrowings – unsecured	(c)	**6,510,020**	2,442,000
Other borrowings – secured	(c)	**12,407,961**	14,905,519
Other borrowings – unsecured	(c)	**1,216,200**	307,086
Loans from associates	(e)	**–**	123,200
		91,800,258	89,000,150
Total borrowings		**108,765,952**	111,173,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes:

(a) Senior Notes

	Exchange Offer	New Money Issuance	New issuance	As at 31 December 2017 and 1 January 2018	New issuance	Repurchase	**As at 31 December 2018**
Par value							
2019 Notes (US$'000)	–	–	–	–	300,000	–	**300,000**
2020 Notes (US$'000)	228,130	231,870	–	460,000	330,000	–	**790,000**
2021 Notes (US$'000)	215,385	109,615	–	325,000	250,000	–	**575,000**
2022 Notes (US$'000)	796,919	458,081	–	1,255,000	–	(108,000)	**1,147,000**
2024 Notes (US$'000)	1,417,503	1,701,497	–	3,119,000	–	(67,500)	**3,051,500**
Total (US$'000)	2,657,937	2,501,063	–	5,159,000	880,000	(175,500)	**5,863,500**
Amortised cost (US$'000)				5,020,993			**5,640,069**
Par value							
2019 Private Notes (HK$'000)	–	–	2,325,000	2,325,000	–	(1,163,000)	**1,162,000**
Amortised cost (HK$'000)				2,326,546			**1,161,773**
Total amortised cost (RMB'000)				34,752,933			**39,726,866**

On 21 July 2016, the Debt Restructuring (as defined in the Company's announcement dated 22 July 2016 (the "Announcement")) was effected whereby the Group's offshore debts, including various senior notes, convertible bonds, bank and other borrowings (collectively and individually referred to as the "Original Offshore Debts") were exchanged for new notes, being Series A-E Senior Notes and Mandatorily Exchangeable Notes as described in the Announcement (collectively and individually referred to as the "New Offshore Debts"). For those exchanges with substantially different terms, the Original Offshore Debts were derecognised and the New Offshore Debts were recognised at their fair values at the effective date. A gain representing the difference between the carrying amount of the related Original Offshore Debts derecognised and the fair value of the related New Offshore Debts recognised, net of the related fees paid and transaction costs. For the remaining exchanges, the consent fees were adjusted against the carrying amounts of the related Original Offshore Debts and amortised over the remaining terms of the related New Offshore Debts.

On 30 June 2017, the Company completed an exchange offer (the "Exchange Offer") pursuant to which the Senior Notes Series A-E were exchanged for 7.25% senior notes due 2020 (the "2020 Notes"), 7.875% senior notes due 2021 (the "2021 Notes"), 8.50% senior notes due 2022 (the "2022 Notes") and 9.375% senior notes due 2024 (the "2024 Notes") (together with the 2020 Notes, the 2021 Notes and the 2022 Notes, the "Senior Notes"). USD2,657,937,000 of the Senior Notes Series A-E, representing approximately 93.08% of the total aggregate principal amounts of the outstanding Senior Notes Series A-E, have been validly tendered for exchange and accepted pursuant to the Exchange Offer. Up to 31 December 2017, the Company issued additional Senior Notes that form a single series with the corresponding Senior Notes issued in the Exchange Offer (the "New Money Issuance").

According to the purchase agreement in relation to the exchange offer for the existing notes, each USD1,000 principal amount of outstanding Senior Notes Series A-E was eligible to exchange for Senior Notes.

The 2020 Notes, 2021 Notes, 2022 Notes and 2024 Notes are listed on the Singapore Exchange Securities Trading Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(a) Senior Notes (Continued)

The Exchange Offer did not constitute a substantial modification, the consent fees paid to the holders of the Senior Notes Series A-E and the transaction costs in connection with the exchange portion amounting to RMB179,304,000 in aggregate attributable to the Exchange Offer adjusted the carrying amounts of the related Senior Notes and amortised over the remaining term of the related Senior Notes. During the year ended 31 December 2017, certain holders of the Senior Notes Series A-E with principal amounts of USD197,570,000 (equivalent to RMB1,338,416,000) in aggregate were redeemed in full pursuant to the Exchange Offer, and the settlement was completed on 3 August 2017.

The fair values of these Senior Notes recognised, net of the transaction costs of RMB31,087,252,000, were calculated based on the present value of contractually determined stream of future cash flows discounted at the market borrowing rates as at the nearest date to the date of initial recognition, as of that date and remaining time to maturity.

The Company issued 6.1% senior notes due 2019 with an aggregated principal amount of HK$2,325,000,000 (equivalent to approximately RMB1,943,000,000) at 100% of the face value ("2019 Private Notes") on 22 December 2017. The effective interest rate of the 2019 Private Notes is 6.05% per annum after the adjustment for transaction costs of RMB1,646,000.

The Company issued 7.25% Senior Notes due 2020 with an aggregated principal amount of USD330,000,000 (equivalent to approximately RMB2,198,386,000) ("Additional 2020 Notes") on 4 May 2018, 7.875% Senior Notes due 2021 with an aggregated principal amount of USD250,000,000 (equivalent to approximately RMB1,665,444,000) ("Additional 2021 Notes") in November 2018, and 12.0% Senior Notes due 2019 with an aggregated principal amount of USD300,000,000 (equivalent to approximately RMB1,998,532,000) ("2019 Notes") in December 2018. The effective interest rate of the Additional 2020 Notes, Additional 2021 Notes, and 2019 Notes are 10.99%, 9.09%, and 20.38% per annum after the adjustment for transaction costs of RMB78,046,000, RMB18,689,000, and RMB128,039,000.

During the year ended 31 December 2018, the Company repurchased USD108,000,000 (equivalent to approximately RMB719,472,000) of the 2022 Notes and USD67,500,000 (equivalent to approximately RMB449,670,000) of the 2024 Notes, resulted a gain of repurchase of senior notes approximately RMB142,745,000 (note 8). In addition, the Company has made redemption of HK$1,163,000,000 (equivalent to approximately RMB988,724,000) 2019 Private Notes in December 2018.

The major terms and conditions of the Senior Notes include redemption at the option of the Company and the repurchase of the Senior Notes upon a change of control. As the estimated fair value of the early redemption rights is insignificant at initial recognition, the embedded derivative is not separately accounted for.

The Senior Notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group.

The movement of the Senior Notes is as follow:

	2018 RMB'000	2017 RMB'000
Carrying amount as at 1 January	**34,752,933**	18,799,783
Accrued interests (note 9)	**3,007,885**	2,481,915
Interests paid	**(3,353,695)**	(2,102,894)
Redemption of Senior Notes/Derecognition of certain Existing Senior Notes and other facilities	**(2,157,866)**	(1,340,423)
Senior Notes recognised	**5,862,362**	18,353,584
Transaction costs	**(224,774)**	(179,304)
Exchange difference	**1,840,021**	(1,259,728)
Carrying amount as at 31 December	**39,726,866**	34,752,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(b) MEBs/Convertible Bonds

On 30 June 2017, all the mandatory exchange conditions pursuant to the terms of the convertible bonds have been fulfilled and the Company issued the Exchange Convertible Bonds in exchange for the MEBs in an aggregate principal amount of USD265,898,440 due 31 December 2019 ("Maturity Date"). At the option of the Company, the Maturity Date may be extended by one year to 31 December 2020 (the "Extended Maturity Date"). The exchange of MEBs to convertible bonds did not constitute a substantial modification.

Pursuant to the terms of the convertible bonds, the number of shares to be issued on conversion of convertible bonds will be determined by dividing the principal amount of the convertible bonds converted at the fixed rate of HKD7.80 = USD1.00 by HKD2.34 per share (initial "Conversion Price"), subject to adjustment, then in effect. The Conversion Price may be adjusted subject to several events.

The convertible bonds holder may require the Company to redeem the convertible bonds at the option of the convertible bonds holder on the Extended Maturity Date; or following the occurrence of delisting, suspension of trading or change of control.

The Company may redeem the convertible bonds if (i) the Company has or will become obliged to pay additional tax amounts as a result of amendment to certain laws or regulations; or (ii) the closing price of the shares of the Company for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the Conversion Price then in effect; or (iii) at least 90% convertible bonds originally issued has already been converted, redeemed or purchased and cancelled.

As the estimated fair value of the option for the Extended Maturity Date is insignificant at initial recognition, the embedded derivative is not separately accounted for.

The conversion option and the redemption options mentioned above are considered as embedded derivative component of the convertible bonds and revalued at each reporting date.

During the year ended 31 December 2017, certain convertible bonds were converted by the bondholders into 884,126,419 new ordinary shares at HKD2.34 per share. The weighted average share price at the date of exercise for the convertible bonds during that year was HKD4.03. Accordingly, the convertible bonds derecognised during the year ended 31 December 2017.

The convertible bonds and MEBs are secured by the pledge of shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group.

The derivative component was valued at fair value by the directors with reference to valuation carried out by an independent professional valuer, Savills Valuation and Professional Services Limited. The fair values of derivative component is derived by deducting the fair value of the liability component from the fair value of convertible bonds as a whole which is calculated using Binomial Option Pricing Model. The aggregate amounts of fair values changes of conversion option and redemption option are RMB1,129,652,000 as at each of conversion dates were charged to profit or loss for the year ended 31 December 2017.

The major inputs used in the models as at the conversion dates were as follows:

	Conversion dates
Stock price	HK$3.00-HK$6.66
Exercise price	HK$2.34
Time to maturity	2.2-2.5 years
Risk-free rate	0.71%-1.06%
Volatility	35.97%-43.19%

Any changes in the major inputs in the model may result in changes in the fair value of the derivative component.

31. BORROWINGS (Continued)

Notes: (Continued)

(b) MEBs/Convertible Bonds (Continued)

The MEBs/convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	Host liability component RMB'000	Derivative component RMB'000	Total RMB'000
As 1 January 2017	1,453,020	248,487	1,701,507
Accrued interest (note 9)	99,888	–	99,888
Derecognition of financial derivative liability upon Exchange Offer	–	(248,487)	(248,487)
Initial fair value of financial derivative liability recognised	–	482,264	482,264
Interests paid	(41,945)	–	(41,945)
Changes in fair value during the year	–	646,591	646,591
Exchange difference	30,510	797	31,307
Derecognition of convertible bonds	(1,541,473)	(1,129,652)	(2,671,125)
As at 31 December 2017, 1 January 2018 and 31 December 2018	–	–	–

(c) Bank and other borrowings

The Group's bank and other borrowings of RMB54,695,254,000 (2017: RMB64,455,797,000) were secured by certain properties, investment properties, land use rights, properties under development, completed properties held for sale, restricted cash and short-term bank deposits of the Group (notes 15, 16, 17, 23, 24, 28 and 29) and shares of certain of the Group's subsidiaries, associates and joint ventures.

The pledged assets for the Group's bank and other borrowings are as follows:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment (note 15)	**830,432**	590,673
Investment properties (note 16)	**19,365,268**	15,410,689
Land use rights (note 17)	**268,675**	287,829
Properties under development (note 23)	**43,079,449**	35,769,533
Completed properties held for sale (note 24)	**7,267,213**	12,786,413
Short-term bank deposits (note 29)	**200,000**	1,021,949
Restricted cash (note 28)	**2,916,332**	4,136,943
Restricted deposits (note 25)	**–**	1,960,203
	73,927,369	71,964,232

31. BORROWINGS (Continued)

Notes: (Continued)

(c) Bank and other borrowings (Continued)

The Group's bank and other borrowings are guaranteed by certain subsidiaries of the Group:

	2018 RMB'000	2017 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	**50,973,305**	56,584,662
– guaranteed by the Company	**10,192,532**	6,110,830
	61,165,837	62,695,492

(d) Loan from a related company

The amount due is unsecured and carries interest rate at 12.0% (2017: 12.0%). The related company is controlled by a substantial shareholder of the Company.

(e) Loans from associates

Loans from associates amounted to RMB1,240,550,000 (2017: RMB1,104,000,000) are unsecured, carry interest rate ranging from 4.35% to 14.0% (2017: 4.35% to 12.5%) per annum and repayable within one year. The remaining balance of nil (2017: RMB123,200,000) are unsecured, carry interest rate at 10.0% per annum and repayable in 2019 and accordingly are classified as non-current liabilities.

(f) The weighted average effective interest rates at each of the reporting dates were as follows:

	2018	2017
Bank borrowings, included in non-current liabilities	**7.3%**	6.9%
Bank borrowings, included in current liabilities	**7.2%**	6.4%
Other borrowings, included in non-current liabilities	**11.1%**	9.9%
Other borrowings, included in current liabilities	**10.5%**	11.4%
Loans from associates, included in non-current liabilities	**–**	10.0%
Loans from associates, included in current liabilities	**10.9%**	9.4%
Loan from a related company, included in current liabilities	**12.0%**	12.0%
Senior Notes	**10.1%**	10.0%

(g) The amounts of the Group's borrowings are denominated in RMB except for Senior Notes, MEBs and certain bank and other borrowings with aggregate amounts of RMB39,978,614,000 and RMB1,701,382,000 (2017: RMB32,808,173,000 and RMB2,643,489,000), which are denominated in USD and HKD respectively.

32. OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Other payables and accruals (note i)	**8,731,821**	6,248,743
Accrued interest	**966,236**	1,605,623
Accrued staff costs	**299,257**	258,782
Bills payables	**795,197**	213,030
Compensation payable	–	154,048
Consideration payables related to acquisitions of subsidiaries	**1,749,902**	2,731,979
Consideration payables related to acquisitions of associate and joint venture	**1,178,500**	1,857,937
Consideration payables related to financial assets at FVTPL/available-for-sale financial assets	**1,441,772**	2,011,935
Deed tax and other taxes payables	**877,287**	897,896
Deposits received	**295,861**	198,391
Amounts due to associates (note ii)	**1,018,000**	925,721
Amounts due to joint ventures (note ii)	**2,246,498**	–
Amounts due to non-controlling interests of subsidiaries (note ii)	**316,931**	315,697
	19,917,262	17,419,782
Less: non-current portion		
Other payables and accruals	–	(104,171)
Current portion	**19,917,262**	17,315,611

Notes:

(i) Other payables and accruals mainly included deposits received from construction companies, accrued operating expenses and advance from third parties for operations and amounts due to former shareholders in relation to newly acquired subsidiaries which are interest-free, unsecured and repayable on demand.

Included in other payables and accruals, there were payables amounting to RMB1,200,000,000 secured by non-interest bearing deposit of USD289,355,000 (approximately equivalent to RMB1,969,293,000) (note 25) repayable on 24 May 2019. The remaining balances are interest-free, unsecured and repayable on demand.

(ii) The amounts due are unsecured, interest-free and repayable on demand.

(iii) The carrying amounts of other payables are denominated in RMB and approximate to their fair values.

33. DEFERRED INCOME TAX

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**784,310**	9,699
Deferred tax liabilities	**(4,478,563)**	(4,411,645)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(4,401,946)**	(4,176,890)
Acquisitions of subsidiaries (note 39(b))	**–**	(133,658)
Deemed disposals of subsidiaries (note 40)	**(7,454)**	–
Recognised in profit or loss (note 10)	**715,147**	(91,398)
End of the year	**(3,694,253)**	(4,401,946)

The movements in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred tax assets arose from:

	Temporary difference arising from debtors, deposits and other receivables RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2017	–	113,139	113,139
Charged to profit or loss	–	(16,844)	(16,844)
At 31 December 2017 and 1 January 2018	–	96,295	96,295
Adjustment on adoption of HKFRS 9 (note 3.1)	63,459	–	63,459
Restated balance as at 1 January 2018	63,459	96,295	159,754
Deemed disposals of subsidiaries (note 40)	–	(7,454)	(7,454)
Credited profit or loss	70,135	650,715	720,850
At 31 December 2018	**133,594**	**739,556**	**873,150**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB13,867,582,000 (2017: RMB15,018,605,000) that can be carried forward against future taxable income. These tax losses have no expiry date except that approximately RMB525,608,000 (2017: RMB648,689,000) will expiry from 2019 to 2023 (2017: 2018 to 2022).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DEFERRED INCOME TAX (Continued)

Deferred tax liabilities arose from:

	Properties acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Revaluation of investment properties RMB'000	Fair value of financial assets at FVTPL RMB'000	Total RMB'000
At 1 January 2017	–	–	4,228,592	–	4,228,592
Acquisitions of subsidiaries (note 39(b))	34,389	99,269	–	–	133,658
Charged to profit or loss	–	–	522,212	–	522,212
Derecognition – transfer from joint operation to joint ventures	–	–	(447,658)	–	(447,658)
At 31 December 2017 and 1 January 2018	34,389	99,269	4,303,146	–	4,436,804
Adjustment on adoption of HKFRS 9 (note 3.1)	–	–	–	161,049	161,049
Restated balance as at 1 January 2018	34,389	99,269	4,303,146	161,049	4,597,853
Charged/(credited) to profit or loss	–	–	53,094	(58,797)	(5,703)
At 31 December 2018	34,389	99,269	4,356,240	102,252	4,592,150

At 31 December 2018, the unrecognised deferred tax liabilities were RMB769,786,000 (2017: RMB971,605,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2018 amounted to RMB15,395,720,000 (2017: RMB19,432,100,000).

34. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary share of HKD0.10 each					
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:					
At 1 January 2017	**5,135,427,910**	**513,543**	**450,450**	**4,253,704**	**4,704,154**
Issue of shares upon exercise of share options (notes (a) and 41)	**44,176,000**	**4,418**	**3,923**	**66,732**	**70,655**
Issue of shares upon conversion of convertible bonds (note (b))	**884,126,419**	**88,412**	**78,492**	**2,592,633**	**2,671,125**
At 31 December 2017 and 1 January 2018	**6,063,730,329**	**606,373**	**532,865**	**6,913,069**	**7,445,934**
Issue of shares upon exercise of share options (notes (a) and 41)	**5,284,000**	**528**	**424**	**8,989**	**9,413**
Dividend paid	**–**	**–**	**–**	**(757,259)**	**(757,259)**
Issue of shares as a result of scrip dividends (note c)	**1,179,368**	**118**	**100**	**3,808**	**3,908**
At 31 December 2018	**6,070,193,697**	**607,019**	**533,389**	**6,168,607**	**6,701,996**

Changes in the share capital of the Company during the year ended 31 December 2018 are as follows:

(a) For the year ended 31 December 2018, 5,284,000 (2017: 44,176,000) shares were issued upon exercise of share options. Total proceeds were HKD9,459,000 (equivalent to approximately RMB9,413,000) (2017: HKD78,320,000 (equivalent to approximately RMB70,655,000)). The weighted average share price at the time of exercise was HKD1.576 (as at 31 December 2017: HKD1.773) per share. The related transactions costs were deducted from the proceeds received.

(b) For the year ended 31 December 2017, the convertible bonds have been fully converted at the conversion price to 884,126,419 ordinary shares of the Company. The carrying amount of host liability and derivative components of convertible bonds, net of the par value of the shares, of RMB2,592,633,000 has been transferred to the share premium.

(c) During the year ended 31 December 2018, 1,179,368 (2017: nil) new shares were issued by the Company at HK3.16 cents (2017: nil) per share for the settlement of 2017 final scrip dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. THE GROUP'S RESERVES

	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	382	24,835	913,598	54,369	(487,047)	3,292	7,732,544	8,241,973
Profit for the year	–	–	–	–	–	–	3,284,889	3,284,889
Other comprehensive loss for the year	–	(1,592)	–	–	–	–	–	(1,592)
Total comprehensive (loss)/income for the year	–	(1,592)	–	–	–	–	3,284,889	3,283,297
Issue of shares upon exercise of share options	–	–	–	(25,552)	–	–	–	(25,552)
Share-based payments (note 41)	–	–	–	141,281	–	–	–	141,281
Share options lapsed	–	–	–	(2,126)	–	–	2,126	–
Transfer to statutory reserves	–	–	45,939	–	–	–	(45,939)	–
Others	–	–	–	–	4,281	(3,292)	–	989
Balance at 31 December 2017 and 1 January 2018	382	23,243	959,537	167,972	(482,766)	–	10,973,620	11,641,988
Adjustment on adoption of HKFRS 9, net of tax (note 3.1)	–	–	–	–	–	–	299,998	299,998
Restated balance as at 1 January 2018	**382**	**23,243**	**959,537**	**167,972**	**(482,766)**	**–**	**11,273,618**	**11,941,986**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2,750,206**	**2,750,206**
Other comprehensive loss for the year	**–**	**(15,812)**	**–**	**–**	**–**	**–**	**–**	**(15,812)**
Total comprehensive (loss)/income for the year	**–**	**(15,812)**	**–**	**–**	**–**	**–**	**2,750,206**	**2,734,394**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**3,849**	**–**	**–**	**3,849**
Issue of shares upon exercise of share options	**–**	**–**	**–**	**(2,727)**	**–**	**–**	**–**	**(2,727)**
Share-based payments (note 41)	**–**	**–**	**–**	**260,612**	**–**	**–**	**–**	**260,612**
Share options lapsed	**–**	**–**	**–**	**(8,366)**	**–**	**–**	**8,366**	**–**
Transfer to statutory reserves	**–**	**–**	**6,009**	**–**	**–**	**–**	**(6,009)**	**–**
Balance at 31 December 2018	**382**	**7,431**	**965,546**	**417,491**	**(478,917)**	**–**	**14,026,181**	**14,938,114**

35. THE GROUP'S RESERVES (Continued)

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 5% to 10% of the profit for the year after netting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate 10% of the net profit to the Statutory Reserves until the accumulated appropriation exceeds 50% of the registered capital.

For Chinese-foreign entities, in accordance with the Law of the PRC on Chinese-foreign Equity Joint Ventures, the percentage of profits to be appropriated to the Statutory Reserves is solely determined by the Board of Directors of these foreign investment enterprises.

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the companies' articles of association, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

For the year ended 31 December 2018, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB6,009,000 (2017: RMB45,939,000) to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the Share Option Scheme (note 41).

(d) Capital reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid for the acquisition of additional equity interest in subsidiaries.

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2018 RMB'000	2017 RMB'000
Profit for the year	**3,294,256**	3,043,848
Adjustments for:		
Income tax expenses (note 10)	**4,477,629**	3,622,579
Depreciation (notes 7 and 15)	**199,670**	109,124
Amortisation of land use rights (notes 7 and 17)	**25,788**	7,360
Amortisation of intangible assets (notes 7 and 21)	**178,328**	119,027
Bad debt recovery of other receivable (note 8)	**–**	(450,000)
Dividend income received from financial assets at FVTPL/available-for-sale financial assets (note 8)	**(20,945)**	(22,269)
Provision for ECL (notes 4.1(ii) and 8)	**529,332**	–
Gain on deemed disposal of an associate (notes 8 and 39(b))	**–**	(429)
Loss/(Gain) on disposal of property, plant and equipment (note)	**1,463**	(3,427)
Reversal of impairment loss on land use rights (notes 8 and 17)	**–**	(2,887)
Net fair value loss on financial assets at FVTPL (note 8)	**271,276**	24,786
Impairment loss on interest in an associate (notes 8 and 18(a))	**658,685**	–
Write-down of completed properties held for sale and properties under development (note 8)	**220,178**	262,332
Written off of trade and other receivables (note 8)	**–**	140,510
Written off of intangible assets (note 8)	**7,654**	10,468
Waiver of other payables (note 8)	**(406,326)**	–
Gain on repurchases of senior notes (notes 8 and 31(a))	**(142,745)**	–
Loss on disposal of investment properties (note 8)	**7,102**	–
Net gain on deemed disposals of subsidiaries (note 40)	**(2,912,593)**	–
Fair value gain of investment properties (note 16)	**(212,374)**	(2,088,849)
Fair value loss of financial derivatives	**–**	969,204
Loss on step acquisition of a subsidiary (note 39)	**–**	146,258
Share of results of associates	**(239,913)**	(31,685)
Share of results of joint ventures (note 18(b))	**48,726**	(37)
Interest income (note 9)	**(402,511)**	(185,818)
Interest expense (note 9)	**1,049,027**	1,238,286
Net exchange losses/(gains) (note 9)	**1,524,271**	(1,300,266)
Share-based payments (note 13)	**260,612**	141,281
Changes in working capital:		
Inventories	**(101,876)**	222
Properties under development and completed properties held for sale	**665,885**	4,045,108
Debtors, deposits and other receivables	**(3,371,556)**	(3,620,629)
Deposits for land acquisition	**1,977,494**	(2,033,401)
Convertible bonds interest income received	**–**	(146)
Prepayments for proposed development projects	**(1,981,370)**	336,294
Financial assets at FVTPL	**–**	(121,253)
Restricted cash	**(73,329)**	37,686
Contract liabilities/Advance proceeds received from customers and deposits received	**15,511,643**	1,534,391
Accrued construction costs	**411,398**	4,753,355
Other payables	**3,195,994**	(4,014,832)
Cash generated from operations	**24,650,873**	6,666,191

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated, see note 3.1.

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Cash generated from operations (Continued)

Note:

Loss/(Gain) on disposal of property, plant and equipment are as follows:

	2018 RMB'000	2017 RMB'000
Net carrying value disposed (note 15)	**17,531**	9,871
Proceeds received	**(16,068)**	(13,298)
Loss/(Gain) on disposal (note 8)	**1,463**	(3,427)

(b) Reconciliation of liabilities arising from financing activities

	2018	
	Borrowings RMB'000 (note 31)	Other payables RMB'000 (note 32)
As at 1 January 2018	111,173,187	17,419,782
Changes from financing cash flows:		
Increase in other payables	–	1,373,817
Increase in amounts due to associates	–	92,279
Increase in amounts due to joint ventures	–	2,246,498
Increase in amounts due to non-controlling interests of subsidiaries	–	1,234
Proceeds from bank and other borrowings	30,785,043	–
Proceeds from loans from associates	2,034,350	–
Repayment of loans from associates	(1,021,000)	–
Net proceeds from issuance of Senior Notes (note 31(a))	5,637,588	–
Repayments of bank and other borrowings	(28,035,327)	–
Repayments of Senior Notes	(2,015,121)	–
Total changes from financing cash flows	7,385,533	3,713,828
Non-cash changes		
– exchange differences	1,840,021	–
– finance expenses recognised (note 9)	9,017,412	–
Other changes (note)	(11,564,964)	541,459
Acquisitions of subsidiaries (note 39)	546,900	2,845,294
Increase in consideration payables related to acquisitions of subsidiaries	–	577,145
Deemed disposals of subsidiaries (note 40)	(9,632,137)	(5,180,246)
As at 31 December 2018	108,765,952	19,917,262

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	2017		
	Borrowings RMB'000 (note 31)	Financial derivatives RMB'000	Other payables RMB'000 (note 32)
As at 1 January 2017	87,536,816	263,822	7,652,852
Changes from financing cash flows:			
Increase in other payables	–	–	2,824,985
Increase in amounts due to associates	–	–	1,564
Decrease in amounts due to non-controlling interests of subsidiaries	–	–	(571,040)
Proceeds from bank and other borrowings	32,383,752	–	–
Proceeds from loans from associates	1,227,200	–	–
Proceeds from issuance of Senior Notes (note 31(a))	18,174,280	–	–
Repayments of bank and other borrowings	(21,706,492)	–	–
Repayments of loans from a related company	(2,768,219)	–	–
Repayments of Senior Notes	(1,340,423)	–	–
Total changes from financing cash flows	25,970,098	–	2,255,509
Non-cash changes			
– exchange differences	(1,229,218)	–	–
– finance expenses recognised	7,976,561	–	–
– convertible bonds derecognised (note 31(b))	(1,541,473)	–	–
– financial derivative derecognised (note 31(b))	–	(1,129,652)	–
– changes in fair value of financial derivatives	–	969,204	–
– transfer to joint venture	(765,000)	–	(94,583)
Other changes (note)	(8,125,983)	(103,374)	(2,345,796)
Acquisitions of subsidiaries (note 39)	1,351,386	–	7,417,138
Increase in consideration payables related to acquisitions of subsidiaries	–	–	2,534,662
As at 31 December 2017	111,173,187	–	17,419,782

Note:

Other changes mainly represented the interest capitalisation, decrease in other payables included in operating activities and repayment for consideration payables related to acquisitions of subsidiaries, associates and joint ventures included in investing activities.

37. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at 31 December 2018 and 2017:

	2018 RMB'000	2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	**30,587,387**	30,094,885

The guarantees in respect of mortgage facilities granted by certain banks related to 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. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

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 consolidated financial statements for the guarantees.

38. COMMITMENTS

(a) Commitments for property development expenditure, acquisitions of property, plant and equipment, acquisitions of subsidiaries and an associate

	2018 RMB'000	2017 RMB'000
Contracted but not provided for		
– Acquisitions/construction of property, plant and equipment	**100,178**	150,574
– Acquisitions of land use rights and property development activities	**35,376,964**	31,849,843
– Acquisitions of subsidiaries	**1,423,328**	858,598
– Acquisition of an associate	**1,318,239**	1,708,641
	38,218,709	34,567,656

38. COMMITMENTS (Continued)

(b) Operating lease commitments

The future aggregate minimum lease payments payable under non-cancellable operating leases in respect of land and buildings are as follows:

	2018 RMB'000	2017 RMB'000
Not later than one year	**84,348**	46,920
Later than one year and not later than five years	**223,963**	91,077
Later than five years	**142,794**	70,055
	451,105	208,052

The Group leases a number of properties under operating leases. The leases run for an initial period of one to nineteen (2017: one to nineteen) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and respective landlords/lessors. None of these include contingent rentals.

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2018 RMB'000	2017 RMB'000
Not later than one year	**174,899**	209,090
Later than one year and not later than five years	**532,408**	569,683
Later than five years	**227,787**	193,586
	935,094	972,359

The Group leases its investment properties (note 16) under operating lease arrangements which run for an initial period of one to forty-eight (2017: one to forty-eight) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

39. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisitions of assets

During the year ended 31 December 2018, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total consideration of approximately RMB1,571,903,000. These companies did not operate any business prior to the acquisitions and only had properties under development and, prepayments for proposed development projects. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of properties under development and, prepayments for proposed development project.

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2018 RMB'000
Property, plant and equipment (note 15)	11,107
Properties under development	3,295,976
Prepayment for proposed development projects	1,270,974
Debtors, deposits and other receivables	441,746
Prepaid taxes	1,947
Cash and bank balances	46,385
Accrued construction costs	(32,302)
Borrowings	(540,000)
Other payables	(2,752,411)
Net assets	1,743,422
Less: non-controlling interests	(171,519)
Net assets acquired	1,571,903
Total purchase consideration:	
– settled in cash during the year	999,558
– payable	572,345
	1,571,903
Purchase consideration settled in cash	999,558
Cash and bank balances in subsidiaries acquired	(46,385)
Cash outflow on acquisition of subsidiaries	953,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisitions of assets (Continued)

During the year ended 31 December 2017, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total consideration of approximately RMB6,318,309,000. These companies did not operate any business prior to the acquisitions and only had property, plant and equipment, investments in associates, properties under development, prepayments for proposed development projects, and deposits for land acquisitions. Therefore, the Group considered this would be an acquisitions of assets in substance and the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of property, plant and equipment, investments in associates, properties under development, prepayments for proposed development project and deposits for land acquisitions.

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2017 RMB'000
Property, plant and equipment (note 15)	326,056
Investments in associates	291,406
Properties under development	4,763,197
Deposits for land acquisition	2,024,550
Prepayment for proposed development projects	2,641,487
Debtors, deposits and other receivables	1,760,315
Prepaid taxes	529
Cash and bank balances	330,963
Accrued construction costs	(7,274)
Borrowings	(549,836)
Other payables	(4,950,952)
Net assets	6,630,441
Less: non-controlling interests	(312,132)
Net assets acquired	6,318,309
Total purchase consideration:	
– settled in cash during the year	3,785,647
– payable	2,532,662
	6,318,309
Purchase consideration settled in cash	3,785,647
Cash and bank balances in subsidiaries acquired	(330,963)
Cash outflow on acquisitions of subsidiaries	3,454,684

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisitions of assets (Continued)

Acquisition of Guangzhou International Toys and Gift City Co., Ltd.* ("Guangzhou Toys")

On 30 March 2017, the Group acquired 90% equity interest of Guangzhou Toys at a cash consideration of RMB885,146,000. Guangzhou Toys mainly owns properties under development and completed properties held for sales, and operates property development before they were acquired by the Group. The purpose of the acquisition was mainly for acquiring the land for future development, while the property development was insignificant to the Group. Thus, the directors are of the view that the acquisition is treated as acquisition of properties under development in substance.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Guangzhou Toys as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 15)	422
Properties under development	3,054,585
Debtors, deposits and other receivables	142,527
Cash and bank balances	177
Accrued construction costs	(2,588)
Other payables	(2,211,627)
Net assets	983,496
Less: non-controlling interests	(98,350)
Net assets acquired	885,146
Purchase consideration settled in cash	885,146
Cash and bank balances in subsidiary acquired	(177)
Cash outflow on acquisition of a subsidiary	884,969

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses

Acquisition of Xinghai Tea Co., Ltd.* ("Xinghai Tea")

On 27 January 2018, the Group acquired 80% equity interest in Xinghai Tea from third parties at a total cash consideration of RMB4,800,000 to diversify its business. Xinghai Tea is principally engaged in trading of tea leaf. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Xinghai Tea as at the date of acquisition are as follows:

	2018 RMB'000
Inventories	**655**
Debtors, deposits and other receivables	**8,301**
Cash and bank balances	**128**
Borrowings	**(2,900)**
Other payables	**(184)**
Total identifiable net assets at fair value	**6,000**
Less: non-controlling interests	**(1,200)**
Identifiable net assets acquired	**4,800**
Total purchase consideration:	
– Payable	**4,800**
Purchase consideration settled in cash	**–**
Cash and bank balances in a subsidiary acquired	**(128)**
Cash inflow on acquisition of a subsidiary	**(128)**

Xinghai Tea contributed total revenue of approximately RMB21,526,000 and net loss of approximately RMB1,950,000 to the Group for the period from the acquisition date to 31 December 2018. Had Xinghai Tea been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB1,720,000 and the increase in pro-forma loss for the year by approximately RMB156,000.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Beijing Haili Insurance Broker Co., Ltd.* ("Beijing Haili")

On 4 January 2018, the Group acquired 100% equity interest in the Beijing Haili at a cash consideration of RMB19,500,000 to diversify its business. Beijing Haili is principally engaged in insurance operation. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

Details of the aggregate fair values of the identifiable assets and liabilities of Beijing Haili as at the date of acquisition are as follows:

	2018 RMB'000
Debtors deposits and Other receivables	19,568
Cash and bank balances	1,097
Other payables	(1,165)
Total identifiable net assets at fair value	19,500
Net assets acquired	19,500
Purchase consideration settled in cash	19,500
Cash and bank balances in a subsidiary acquired	(1,097)
Cash outflow on acquisition of a subsidiary	18,403

Beijing Haili contributed total revenue of approximately RMB17,570,000 and net loss of approximately RMB1,097,000 to the Group for the period from the acquisition date to 31 December 2018. Had Beijing Haili been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB195,000 and the increase in pro-forma loss for the year by approximately RMB12,000.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Guangzhou Mosi Culture Development Co., Ltd.* ("Guangzhou Mosi")

On 11 January 2018, the Group acquired 80% equity interest in Guangzhou Mosi at a cash consideration of RMB1 to diversify its business. Guangzhou Mosi is principally engaged in operating a cafe. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Guangzhou Mosi as at the date of acquisition are as follows:

	2018 RMB'000
Property, plant and equipment (note 15)	**346**
Inventories	**60**
Debtors, deposit and other receivables	**545**
Cash and bank balances	**4**
Other payables	**(955)**
Total identifiable net assets at fair value	**–**
Less: non-controlling interests	**–**
Identifiable net assets acquired	**–**
Purchase consideration settled in cash	**–**
Cash and bank balances in a subsidiary acquired	**(4)**
Cash inflow on acquisition of the subsidiary	**(4)**

Guangzhou Mosi contributed total revenue of approximately RMB1,517,000 and net loss of approximately RMB4,293,000 to the Group for the period from the acquisition date to 31 December 2018. Had Guangzhou Mosi been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB47,000 and the increase in pro-forma loss for the year by approximately RMB133,000.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Kaisa Health Group

On 13 November 2017, Kaisa Health Group completed a right issue, enable the Group obtained the effective control over Kaisa Health Group, and became a subsidiary of the Group. The Group considers that the step acquisition provides a good opportunity to diversify the Group's business risk. The results of Kaisa Health Group is consolidated into the Group's financial statements commencing from the acquisition date (i.e. 13 November 2017).

The Group accordingly remeasured the fair value of its pre-existing interest in Kaisa Health Group at the date of completion and recognised the resulting loss of RMB146,258,000 on the remeasurement of the Group's pre-existing interest in Kaisa Health Group to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose. The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Kaisa Health Group at the acquisition date are summarised as follows:

	2017 RMB'000
Share of net assets	381,376
Less: Fair value of pre-existing interest	(235,118)
Loss on step acquisition of a subsidiary	146,258

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Kaisa Health Group (Continued)

Details of the aggregate fair values of the identifiable assets and liabilities of Kaisa Health Group as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 15)	11,943
Intangible assets (note 21)	589,140
Convertible bonds receivable (note 22)	39,794
Inventories	2,936
Debtors, deposits and other receivables	113,529
Cash and bank balances	460,066
Other payables	(35,642)
Deferred tax liabilities (note 33)	(99,269)
Total identifiable net assets at fair value	1,082,497
Less: non-controlling interests	(636,075)
	446,422
Goodwill (note 21)	203,931
	650,353
Satisfied by:	
– Cash	415,235
– Fair value of pre-existing interest	235,118
	650,353
Purchase consideration settled in cash	415,235
Cash and bank balances in a subsidiary acquired	(460,066)
Cash inflow on acquisition of a subsidiary	(44,831)

Since the completion of step acquisition of Kaisa Health Group, Kaisa Health Group contributed total revenue of RMB15,123,000 and net loss of RMB3,831,000 included in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2017. Had the step acquisition of Kaisa Health Group been consolidated from 1 January 2017, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue and profit for the year by RMB195,038,000 and RMB2,327,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Fujian Jianke Insurance Brokers Co. Ltd.*("Fujian Jianke")

On 29 September 2017, the Group acquired 84% equity interest in Fujian Jianke at a cash consideration of RMB8,400,000 to diversify its business. Fujian Jianke is principally engaged in insurance operation. Thus, the Directors of the Company are of the view that the acquisition constitutes acquisition of business.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The identifiable assets and liabilities arising from the acquisition are as follows:

	2017 RMB'000
Debtors, deposit and other receivables	1,323
Prepaid taxes	61
Cash and bank balances	5,685
Total identifiable net assets at fair value	7,069
Less: non-controlling interests	(1,131)
Net assets acquired	5,938
Goodwill (note 21)	2,462
Total purchase consideration	8,400
Total purchase consideration:	
– settled in cash during the year	6,400
– payable	2,000
	8,400
Purchase consideration settled in cash	6,400
Cash and bank balances in a subsidiary acquired	(5,685)
Cash outflow on acquisition of the subsidiary	715

Fujian Jianke contributed total revenue of RMB152,000 and net loss of RMB54,000 to the Group for the period from the acquisition date to 31 December 2017. Had Fujian Jianke been consolidated from 1 January 2017, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by RMB598,000 and the decrease in pro-forma profit for the year by RMB211,000.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Shenzhen Qijia Internet Technology Co. Ltd.*("Qijia")

On 31 December 2017, the Group acquired an additional equity interest of Qijia at the consideration of RMB5,382,000. Qijia was previously an associate of the Group. After the additional acquisition, the Group has 92.26% effective equity interest in Qijia.

The Group accordingly remeasured the fair value of its pre-existing interest in Qijia at the date of completion and recognised the resulting gain of RMB429,000 on the remeasurement of the Group's pre-existing interest in Qijia to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Qijia at the acquisition date are summarised as follows:

	2017 RMB'000
Share of net assets	7
Less: Fair value of pre-existing interest	(436)
Gain on deemed disposal of an associate (note 8)	(429)

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Shenzhen Qijia Internet Technology Co. Ltd.*("Qijia") (Continued)

Details of the aggregate fair values of the identifiable assets and liabilities of Qijia as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 15)	197
Intangible assets – other (note 21)	7,895
Debtors, deposits and other receivables	571
Cash and bank balances	122
Advance deposits received from customers and deposits received	(810)
Accrued construction costs	(54)
Other payables	(6,175)
Total identifiable net assets at fair value	1,746
Less: non-controlling interests	(135)
	1,611
Goodwill (note 21)	4,207
	5,818
Satisfied by:	
Cash	5,382
Fair value of pre-existing interest	436
	5,818
Purchase consideration settled in cash	5,382
Cash and bank balances in a subsidiary acquired	(122)
Cash outflow on acquisition of a subsidiary	5,260

Qijia contributed total revenue of nil and net loss of nil to the Group for the period from the acquisition date to 31 December 2017. Had Qijia been consolidated from 1 January 2017, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by RMB1,344,000 and the decrease in pro-forma profit for the year by RMB7,795,000.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Hunan Ding Cheng Da Real Estate Development Co., Ltd.*("Ding Cheng Da")

On 22 December 2017, the Group acquired 100% equity interest of Ding Cheng Da at a cash consideration of RMB235,047,000. Ding Cheng Da is principally engaged in property development. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

Details of the aggregate fair values of the identifiable assets and liabilities of Ding Cheng Da as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 15)	123
Properties under development	878,683
Completed properties held for sales	208,957
Debtors, deposits and other receivables	74,408
Prepaid taxes	25,499
Cash and bank balances	232,723
Advance proceeds received from customers and deposits received	(56,337)
Accrued construction costs	(80,328)
Borrowings	(801,550)
Other payables	(212,742)
Deferred tax liabilities (note 33)	(34,389)
Net assets acquired	235,047
Purchase consideration settled in cash	235,047
Cash and bank balances in subsidiary acquired	(232,723)
Cash outflow on acquisitions of subsidiary	2,324

Ding Cheng Da contributed net profit of RMB4,289,000 to the Group for the period from the acquisition date to 31 December 2017. Has Ding Cheng Da been consolidated from 1 January 2017, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue and profit for the year by RMB121,490,000 and RMB29,601,000, respectively.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition through capital injection

Capital injection in Hengyang Heng Ji Real Estate Co., Ltd.* ("Hengyang Heng Ji") and Chengdu Huaguan Ke Heng Technology Co., Ltd.* ("Chengdu Huaguan")

During the year ended 31 December 2018, the Group entered into cooperation agreements with other investors that the Group injected RMB41,600,000 and RMB20,816,000 to Hengyang Heng Ji and Chengdu Huaguan, which are controlled by independent third parties before the capital injection by the Group, respectively to obtain 51% and 51% equity interests in these two companies respectively.

According to the Hengyang Heng Ji's and Chengdu Huaguan's cooperation agreement, the Group is entitled to appoint four directors of Hengyang Heng Ji's board of directors out of a total of five whereas the Group is entitled to appoint two directors of Chengdu Huaguan's board of directors out of a total of three. In the view of the Group, the Group can operate the investees and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes. Accordingly, the investees are classified as subsidiaries of the Group.

Hengyang Heng Ji and Chengdu Huaguan had properties under development and deposits for land acquisitions respectively hence the Group considered this would be acquisitions of assets in substance.

Details of the aggregate fair values of the identifiable assets and liabilities of Hengyang Heng Ji and Chengdu Huaguan as at the date of acquisitions through capital injection are as follows:

	2018 RMB'000
Property, plant and equipment (note 15)	**44**
Properties under development	**12,658**
Deposits for land acquisitions	**168**
Debtors, deposits and other receivables	**81,365**
Cash and bank balances	**344**
Borrowings	**(4,000)**
Other payables	**(90,579)**
Net assets acquired through capital injection	**–**
Cash inflow on acquisition of subsidiaries through capital injection	**(344)**

40. DEEMED DISPOSALS OF SUBSIDIARIES

During the year ended 31 December 2018, the Group entered into cooperation agreements with a number of investors in which those investors would inject capital to certain subsidiaries operating in Guangzhou region.

Upon the capital injection by the investors, the Group's effective equity interests in these subsidiaries have been diluted from 100% to 49%. These subsidiaries were engaged in investment holding, property developments, holding property development projects located in Guangzhou. Upon completion of the deemed disposal, these companies ceased to be subsidiaries of the Group and were then accounted for as associates of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in associates.

The following table summarises the net liabilities of the subsidiaries disposed of during the year and the financial impacts are summarised as follows:

	2018 RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment (note 15)	1,039
Financial assets at fair value through profit or loss	3,300
Deferred tax assets (note 33)	7,454
Properties under development	14,235,229
Completed properties held for sale	3,620,253
Prepayments for proposed development projects	68,286
Debtors, deposits and other receivables	2,028,459
Cash and bank balances	2,452,320
Contract liabilities (note 30)	(5,922,487)
Accrued construction costs	(3,014,944)
Income tax payable	(258,515)
Borrowings	(9,632,137)
Other payables	(4,839,264)
	(1,251,007)
Non-controlling interests	(91,554)
Net liabilities disposed of	(1,342,561)
Net gain on deemed disposals of subsidiaries	1,342,561
	–
Satisfied by:	
Fair value of the 49% equity interest in associates	–
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	(2,452,320)

Note: The fair value was determined by management with reference to the valuation report for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

40. DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

During the year ended 31 December 2018, the Group entered into capital injection agreements with investors in which those investors would injected capital to certain subsidiaries.

Upon the capital injection by the investors, the Group's equity interests in the subsidiaries have been diluted from 100% to 45% or from 100% to 50%. These subsidiaries were engaged in property developments and had prepayments for proposed development projects located in Shenzhen. Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as joint ventures of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in joint ventures.

The following table summarises the net liabilities of the subsidiaries disposed of during the current year and the financial impacts are summarised as follows:

	2018 RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment (note 15)	68
Prepayments for proposed development projects	31,360
Debtors, deposits and other receivables	188,061
Cash and bank balances	120,121
Other payables	(340,982)
Net liabilities disposed of	(1,372)
Net gain on deemed disposals of subsidiaries	1,570,032
	1,568,660
Satisfied by:	
Fair values of the equity interests in joint ventures (note 18(b))	1,568,660
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	(120,121)

Note: The fair values were determined by management with reference to the valuation reports for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

41. SHARE OPTION

Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009, a post-IPO share option scheme (the "Share Option Scheme") was conditionally adopted. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	2018		2017	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**3.339**	**470,514,000**	1.908	162,498,000
Granted during the year	**4.354**	**63,000,000**	3.785	362,300,000
Exercised during the year (note 34)	**1.576**	**(5,284,000)**	1.773	(44,176,000)
Lapsed during the year	**3.465**	**(11,474,000)**	3.183	(10,108,000)
At 31 December	**3.478**	**516,756,000**	3.339	470,514,000

As at 31 December 2018, 178,156,000 (2017: 114,114,000) outstanding options granted under the Share Option Scheme were exercisable (note).

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41. SHARE OPTION (Continued)

Share Option Scheme (Continued)

Note: Terms of share options at the reporting date were as follows:

Exercised period	Vesting period	Exercise price per share HK$	Number of share options 2018	2017
10/6/2010-24/4/2022	9/12/2009-9/6/2010	3.105	**5,350,000**	5,350,000
30/3/2011-24/4/2022	9/12/2009-29/3/2011	3.105	**8,250,000**	8,250,000
24/4/2012-24/4/2022	9/12/2009-23/4/2012	3.105	**8,500,000**	8,500,000
23/7/2011-22/7/2020	23/7/2011-22/7/2011	2.000	**3,360,000**	3,520,000
23/7/2012-22/7/2020	23/7/2012-22/7/2012	2.000	**3,360,000**	3,520,000
23/7/2013-22/7/2020	23/7/2013-22/7/2013	2.000	**3,560,000**	3,720,000
23/7/2014-22/7/2020	23/7/2014-22/7/2014	2.000	**4,160,000**	4,320,000
23/7/2015-22/7/2020	23/7/2015-22/7/2015	2.000	**8,977,000**	9,137,000
6/6/2013-5/6/2022	6/6/2013-5/6/2014	1.500	**4,168,000**	4,324,000
6/6/2014-5/6/2022	6/6/2014-5/6/2015	1.500	**5,370,000**	5,468,000
6/6/2015-5/6/2022	6/6/2015-5/6/2016	1.500	**15,923,000**	17,847,000
6/6/2016-5/6/2022	6/6/2016-5/6/2017	1.500	**16,816,000**	18,258,000
6/6/2017-5/6/2022	6/6/2017-5/6/2018	1.500	**16,962,000**	18,300,000
21/2/2015-20/2/2024	21/2/2015-20/2/2016	2.610	**1,200,000**	1,200,000
21/2/2016-20/2/2024	21/2/2016-20/2/2017	2.610	**1,200,000**	1,200,000
21/2/2017-20/2/2024	21/2/2017-20/2/2018	2.610	**1,200,000**	1,200,000
21/2/2018-20/2/2024	21/2/2018-20/2/2019	2.610	**1,200,000**	1,200,000
21/2/2019-20/2/2024	21/2/2019-20/2/2020	2.610	**1,200,000**	1,200,000
19/7/2018-18/7/2027	19/7/2018-18/7/2019	3.550	**59,000,000**	61,200,000
19/7/2019-18/7/2027	19/7/2019-18/7/2020	3.550	**59,000,000**	61,200,000
19/7/2020-18/7/2027	19/7/2020-18/7/2021	3.550	**59,000,000**	61,200,000
19/7/2021-18/7/2027	19/7/2021-18/7/2022	3.550	**118,000,000**	122,400,000
22/9/2018-21/9/2027	22/9/2018-21/9/2019	6.660	**4,000,000**	4,000,000
22/9/2019-21/9/2027	22/9/2019-21/9/2020	6.660	**4,000,000**	4,000,000
22/9/2020-21/9/2027	22/9/2020-21/9/2021	6.660	**4,000,000**	4,000,000
22/9/2021-21/9/2027	22/9/2021-21/9/2022	6.660	**8,000,000**	8,000,000
29/11/2018-28/11/2027	29/11/2018-28/11/2019	4.370	**5,600,000**	5,600,000
29/11/2019-28/11/2027	29/11/2019-28/11/2020	4.370	**5,600,000**	5,600,000
29/11/2020-28/11/2027	29/11/2020-28/11/2021	4.370	**5,600,000**	5,600,000
29/11/2021-28/11/2027	29/11/2021-28/11/2022	4.370	**11,200,000**	11,200,000
3/4/2019-2/4/2028	3/4/2019-2/4/2020	4.320	**4,000,000**	–
3/4/2020-2/4/2028	3/4/2020-2/4/2021	4.320	**4,000,000**	–
3/4/2021-2/4/2028	3/4/2021-2/4/2022	4.320	**4,000,000**	–
3/4/2022-2/4/2028	3/4/2022-2/4/2023	4.320	**8,000,000**	–
12/6/2019-11/6/2028	12/6/2019-11/6/2020	4.370	**8,600,000**	–
12/6/2020-11/6/2028	12/6/2020-11/6/2021	4.370	**8,600,000**	–
12/6/2021-11/6/2028	12/6/2021-11/6/2022	4.370	**8,600,000**	–
12/6/2022-11/6/2028	12/6/2022-11/6/2023	4.370	**17,200,000**	–
			516,756,000	470,514,000

The Company offered to grant several directors and employees (the "July 2010 Grant") of 179,750,000 share options of HK$0.10 each in the capital of the Company on 23 July 2010.

On 6 June 2012, the Company further offered to grant several directors and employees (the "June 2012 Grant") of 326,790,000 share options respectively of HK$0.10 each in the capital of the Company.

During the year ended 31 December 2014, the Company offered to grant an employee and a consultant (the "February 2014 Grant") total of 11,000,000 share options and an employee (the "August 2014 Grant") total of 3,000,000 share option respectively of HK$0.10 each in the capital of the Company on 21 February 2014 and 21 August 2014 respectively.

41. SHARE OPTION (Continued)

Share Option Scheme (Continued)

On 19 July 2017, the Company offered to grant to the directors of the Company and certain employees of the Company and its subsidiaries (the "July 2017 Grant") of 64,000,000 and 250,300,000 share options respectively, of HK$0.1 each in the capital of the Company. The Company further granted a director of the Company (the "September 2017 Grant") and (the "November 2017 Grant") of 20,000,000 and 28,000,000 shares options on 22 September 2017 and 29 November 2017 respectively of HK$0.1 each in the capital of the Company.

On 3 April 2018, the Company offered to grant to one of the directors of the Company (the "April 2018 Grant") of 20,000,000 share options of HK$0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "June 2018 Grant") of 43,000,000 shares options on 11 June 2018 of HK$0.1 each in the capital of the Company.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	March 2010 Grant	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant	July 2017 Grant	September 2017 Grant	November 2017 Grant	April 2018 Grant	June 2018 Grant
Fair value under binomial option pricing model (HK'000)	22,355	142,362	198,688	8,514	2,592	543,168	68,887	61,987	37,218	77,023
Closing share price at grant date	HK$2.56	HK$1.71	HK$1.39	HK$2.60	HK$2.83	HK$3.55	HK$6.66	HK$4.26	HK$4.31	HK$4.35
Exercise price	HK$3.105	HK$2.00	HK$1.50	HK$2.61	HK$2.84	HK$3.55	HK$6.66	HK$4.37	HK$4.32	HK$4.37
Annual risk free interest rate	1.82%-2.33%	2.29%	1.04%	2.30%	1.94%	2.05%	2.01%	2.23%	2.64%	2.94%
Expected volatility	40%	40%	44%	45%	43%	42%	43%	44%	44%	44%
Expected option life	5-7 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	Nil	Nil	Nil	6.0%	5.0%	Nil	Nil	Nil	2.5%	2.5%

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share option expense of RMB260,612,000 (2017: RMB141,281,000) during the year ended 31 December 2018.

42. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Financial assets at amortised cost		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	**18,196,025**	–
Long-term bank deposits (note 29)	**400,000**	–
Restricted cash (note 28)	**6,792,292**	–
Short-term bank deposits (note 29)	**252,718**	–
Cash and bank balances (note 29)	**15,479,139**	–
Loans and receivables		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	**–**	11,122,965
Restricted cash (note 28)	**–**	7,939,574
Short-term bank deposits (note 29)	**–**	1,232,206
Cash and bank balances (note 29)	**–**	11,998,423
	41,120,174	32,293,168
Available-for-sale financial assets (note 19)	**–**	4,400,796
Financial assets at fair value through profit or loss (note 20)	**6,895,826**	96,467

Liabilities as per consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Financial liabilities at amortised cost		
Accrued construction costs	**12,599,547**	15,170,791
Borrowings (note 31)	**108,765,952**	111,173,187
Other payables, excluding deed tax and other tax payables	**19,039,975**	16,521,886
	140,405,474	142,865,864

43. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholder

Mr. Kwok Ying Shing

A related company, a company controlled by a substantial shareholder of the Company

Shenzhen Fund Resources Investment Holding Limited* ("深圳市富德資源投資有限公司")

43. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Associates

Guangdong Kaisa Jiayun Technology Co., Ltd.* (formerly known as "Guangdong Mingjia Lianhe Mobile Technology Co., Ltd."*) ("廣東佳兆業佳雲科技股份有限公司，前稱廣東明家聯合移動科技股份有限公司")
Guan Kongqueting Real Estate Development Co., Ltd.* ("固安孔雀亭房地產開發有限公司")
Kaisa United Financial (Beijing) Co., Ltd.* ("佳兆業聯合金控(北京)有限公司")
Shenzhen Qianhai Gold – Earth Wealth Management Co., Ltd.* ("深圳前海金土財富管理有限公司")
Guangdong Kaisa Property Development Co., Ltd and its subsidiaries ("廣東佳兆業房地產開發有限公司及其附屬公司")
Shenzhen Longcheng Plaza Property Development Co., Ltd.* ("深圳市龍城廣場房地產開發有限公司")
Shenzhen Shenxin Chanye Holding Co., Ltd.* (formerly known as "Shenzhen Shenxin Financial Holding Co., Ltd."*) ("深圳深信產業控股有限公司，前稱深圳深信金融控股有限公司")
Shenzhen Shenxin Financial Services Co., Ltd.* ("深圳深信金融服務有限公司")
Shenzhen Shenxin Capital Management Co., Ltd.* ("深圳市深信資本管理有限公司")
Shenzhen Tianjia Industrial Development Co., Ltd.*("深圳市天佳實業發展有限公司")
E zhou Liangtai Real Estate Co., Ltd. *("鄂州梁泰地產有限公司")
Wuhan City Quan Hai Ji Xing Agricultural Products Logistics Co., Ltd. *("武漢城市圈海吉星農產品物流有限公司")
Lejie Electronic Products (Shenzhen) Co., Ltd. *("樂捷電子產品(深圳)有限公司")

Joint ventures

Guangzhou Nantian Company Limited* ("廣州南天商業大廣場建設發展有限公司")
Holy Joint Management Consultants Limited* ("浩霖管理顧問有限公司")
Huizhou City Kaileju Company Limited* ("惠州市愷樂居置業有限公司")
Shenzhen Jiaxian Property Development Co., Ltd.* ("深圳市佳賢置業發展有限公司")
Shenzhen Ligao Property Development Company Limited* ("深圳力高宏業地產開發有限公司")
Shenzhen Jiademeihuan Traveling Development Co., Limited* ("深圳市佳德美奐旅遊開發有限公司"), Shenzhen Jiafu East Tourism Development Co., Ltd.* ("深圳市佳富東部旅遊開發有限公司"), Shenzhen Zhaofude Tourism Development Co., Ltd.* ("深圳市兆富德旅遊開發有限公司") together named as JVs for Dapeng Xiasha Development Project* ("大鵬下沙合營發展項目")
Shenzhen Tiandi Tongchang Investment Development Co., Ltd.* ("深圳市天地同昌投資發展有限公司")
Shenzhen Longhua Kaisa Property Development Company Limited* ("深圳市龍華佳兆業置業發展有限公司")
Shenzhen Gongming Kaisa Property Development Company Limited* ("深圳市公明佳兆業置業發展有限公司")
Shenzhen Mingyang Kaisa Development Co., Ltd. * ("深圳市銘揚佳兆業實業發展有限公司")
Shenzhen Kaisa Xinxiu City Geng Xin Co., Ltd. * ("深圳市佳兆業新秀城市更新有限公司")
Shenzhen Baoan Kaisa Real Estate Development Co., Ltd. * ("深圳市寶安佳兆業房地產開發有限公司")
Guangdong Jiasheng Property Development Co., Ltd. * ("廣東佳盛房地產開發有限公司")

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

(b) Key management compensation

	2018 RMB'000	2017 RMB'000
Salaries and other short-term employee benefits	**129,800**	174,864
Discretionary bonuses	**3,259**	–
Retirement scheme contributions	**700**	453
Share-based payments	**151,773**	48,293
	285,532	223,610

43. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions

	Notes	2018 RMB'000	2017 RMB'000
Advertising income received from an associate		**9,434**	9,434
Property management fee income received from an associate		**9,170**	–
Advisory income received from a joint venture		**–**	15,727
Financial advisory fees paid to an associate		**74,551**	8,411
Interest income received from associates	i	**3,535**	32,067
Interest expense paid to a related company	ii	**29,852**	439,252
Interest expense paid to an associate	iii	**54,273**	21,858
Rental expenses paid to a controlling shareholder	iv	**1,140**	1,071

Note:

(i) Interest income was charged at interest rate of 12.0% (2017: 12.0%) per annum on amounts due to associates.

(ii) Interest expense was charged at interest rate of 12.0% (2017: 12.0%) per annum on loan from a related company.

(iii) Interest expense was charged at interest rates ranging from 4.35% to 14.0% (2017: 4.35% to 12.5%) per annum on loans from associates.

(iv) This represents payment of rental expense for various office premises to a controlling shareholder, Mr. Kwok Ying Shing. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(d) Balances with related parties

	2018 RMB'000	2017 RMB'000
Loans from associates (note 31(e))	**(1,240,550)**	(1,227,200)
Loan from a related company (note 31(d))	**(108,781)**	(108,781)
Advertising income from an associate	**–**	9,000
Advisory income from a joint venture	**–**	13,337
Prepaid financial advisory fee to an associate – included in prepayments	**153,253**	–
Amounts due from associates (note 25)	**4,045,190**	20,498
Amounts due from joint ventures (note 25)	**891,612**	879,210
Amounts due to associates (note 32)	**(1,018,000)**	(925,721)
Amounts due to joint ventures (note 32)	**(2,246,498)**	–
Interest payable to a related company – included in accrued interest in other payables	**(235,535)**	(205,683)

44. EVENTS AFTER REPORTING PERIOD

1. On 28 December 2018, the Company has entered into a placing agency and subscription agreement pursuant to which the Group has engaged the placing agent as with the placement for the convertible bonds in an aggregate principal amount of USD100,000,000 (equivalent to approximately RMB686,320,000) due 2021. The convertible bonds were issued on 14 January 2019.

2. On 19 February 2019, the Company issued Senior Notes with a principal amount of USD400,000,000 (approximately RMB2,745,280,000) due 2021. The Senior Notes are interest-bearing at 11.75% per annum which is payable semi-annually in arrears. The maturity date of the Senior Notes is 26 February 2021.

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2018

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investments in subsidiaries	**43,543,979**	38,897,195
Financial assets at fair value through profit or loss	**1,008,181**	–
Available-for-sale financial assets	**–**	218,067
	44,552,160	39,115,262
Current assets		
Financial assets at fair value through profit or loss	**6,637**	–
Deposits and other receivables	**2,075,346**	2,005,175
Cash and bank balances	**179,307**	1,244,328
	2,261,290	3,249,503
Current liabilities		
Borrowings	**3,409,648**	835,900
Other payables	**197,948**	44,905
	3,607,596	880,805
Net current (liabilities)/assets	**(1,346,306)**	2,368,698
Total assets less current liabilities	**43,205,854**	41,483,960
Non-current liability		
Borrowings	**38,270,346**	34,752,933
Net assets	**4,933,508**	6,731,027
EQUITY		
Share capital (note 34)	**533,389**	532,865
Share premium (note 34)	**6,168,607**	6,913,069
Reserves (note (a))	**(1,766,488)**	(714,907)
Total equity	**4,933,508**	6,731,027

Approved and authorised for issue by the Board of Directors on 26 March 2019.

Kwok Ying Shing
Director

Mai Fan
Director

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Share option reserve RMB'000 (note 35(c))	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2017	54,369	202,711	257,080
Loss and total comprehensive loss for the year	–	(1,087,716)	(1,087,716)
Issue of shares upon exercise of share options	(25,552)	–	(25,552)
Share-based payment	141,281	–	141,281
Share options lapsed	(2,126)	2,126	–
Balance at 31 December 2017 and 1 January 2018	167,972	(882,879)	(714,907)
Adjustment on adoption of HKFRS 9 , net of tax	–	(40,104)	(40,104)
Restated balance as at 1 January 2018	**167,972**	**(922,983)**	**(755,011)**
Loss and total comprehensive loss for the year	–	(1,257,647)	(1,257,647)
Issue of shares upon exercise of share options	(2,727)	–	(2,727)
Share-based payment	257,263	–	257,263
Share options lapsed	(8,366)	–	(8,366)
Balance at 31 December 2018	**414,142**	**(2,180,630)**	**(1,766,488)**

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd. 今盛工程管理諮詢(深圳)有限公司	the PRC, 27 July 2001	HK$714,000,000	**100%**	100%	Property development
Kaisa Urban Redevelopment Group (Shenzhen) Co., Ltd. 佳兆業城市更新集團(深圳)有限公司	the PRC, 26 March 2004	RMB10,000,000	**100%**	100%	Property development
Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司	the PRC, 3 June 1999	RMB2,826,163,980	**100%**	100%	Property development
Shenzhen Naiao Kaisa Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司	the PRC, 15 February 2004	RMB640,000,000	**100%**	100%	Property development
Huizhou Canrong Property Ltd 惠州燦榮房產有限公司	the PRC, 14 January 1994	RMB35,926,506	**100%**	100%	Property development
Woodland Height Property (Yingkou) Co., Ltd 桂芳園地產(營口)有限公司	the PRC, 14 December 2010	RMB495,750,000	**100%**	100%	Property development
Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司	the PRC, 14 December 2010	RMB372,570,000	**100%**	100%	Property development
Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd. 兆瑞景酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	HK$68,300,000	**100%**	100%	Hotel management
Leisure Land Hotel Zhiye Management (Suizhong) Co.,Ltd. 可域酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	RMB144,653,000	**100%**	100%	Hotel management
Zhuzhou Kaisa Zhiye Co., Ltd 株洲佳兆業置業有限公司	the PRC, 13 January 2011	HK$600,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	the PRC, 28 December 2010	RMB850,000,000	**100%**	100%	Property development
Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	the PRC, 7 March 2011	HK$210,000,000	**100%**	100%	Property development
Zhuhai Kaisa Property Development Co.,Ltd. 珠海市佳兆業房地產開發有限公司	the PRC, 9 June 2011	RMB518,000,000	**100%**	100%	Property development
Bakai Property Development (Weifang) Co., Ltd 八凱房地產開發(濰坊)有限公司	the PRC, 22 June 2011	USD50,000,000	**100%**	100%	Property development
Kaisa Property (Wuhan) Co., Ltd 佳兆業地產(武漢)有限公司	the PRC, 1 July 2011	RMB547,528,247	**100%**	100%	Property development
Kaisa Tourism Development Co., Ltd 佳兆業旅遊開發有限公司	the PRC, 15 July 2011	HK$93,600,000	**100%**	100%	Property development
Kaisa Property (Suizhong) Co., Ltd 佳兆業地產(綏中)有限公司	the PRC, 15 July 2011	HK$246,500,000	**100%**	100%	Property development
Kaisa Property (Liaoyang) Co., Ltd. 佳兆業地產(遼陽)有限公司	the PRC, 24 August 2011	USD31,000,000	**100%**	100%	Property development
Anshan Kaisa Commerce Operation Management Co., Ltd 鞍山佳兆業商業管理有限公司	the PRC, 26 September 2011	USD26,582,581	**100%**	100%	Commerce management
Kaisa Xindu Zhiye (Qingdao) Co., Ltd 佳兆業新都置業(青島)有限公司	the PRC, 18 February 2013	USD60,000,000	**100%**	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	the PRC, 11 April 1992	RMB98,040,000	**100%**	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	the PRC, 29 January 2007	RMB50,000,000	**100%**	100%	Property development
Kaisa Property Management (Shenzhen) Co., Ltd 佳兆業物業管理(深圳)有限公司	the PRC, 20 October 1999	RMB310,000,000	**100%**	100%	Property management

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司	the PRC, 19 July 2004	RMB1,000,000,000	**100%**	100%	Commerce management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	the PRC, 21 March 1997	RMB12,000,000	**100%**	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	the PRC, 27 October 2005	RMB202,500,000	**100%**	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司	the PRC, 6 September 2004	RMB38,000,000	**100%**	100%	Property development
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	the PRC, 3 March 2006	RMB20,000,000	**100%**	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	the PRC, 14 September 2007	RMB1,000,000	**100%**	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	the PRC, 4 July 2008	RMB10,000,000	**100%**	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	RMB20,000,000	**100%**	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	the PRC, 4 January 2007	RMB10,000,000	**100%**	100%	Property development
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	the PRC, 22 November 2007	RMB155,000,000	**100%**	100%	Property development
Nanchong Kaisa Property Co., Ltd. 南充市佳兆業房地產有限公司	the PRC, 10 December 2010	RMB10,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司	the PRC, 14 December 2010	USD21,056,200	**100%**	100%	Property development
Kaisa Property (Anshan) Co., Ltd. 佳兆業地產(鞍山)有限公司 ("Kaisa Anshan")	the PRC, 16 December 2010	USD67,000,000	**N/A (note iii)**	100%	Property development
Shenzhen Henggang Kaisa Investment Consulting Co., Ltd. 深圳市横崗佳兆業投資諮詢有限公司	the PRC, 3 June 2011	RMB10,000,000	**100%**	100%	Property development
Anshan Junhuishangpin Property Development Co., Ltd. 鞍山君匯上品房地產開發有限公司	the PRC, 28 June 2011	USD24,210,830	**100%**	100%	Property development
Wan Rui Fa Property (Anshan) Co., Ltd. 萬瑞發地產(鞍山)有限公司	the PRC, 28 June 2011	USD19,115,864	**100%**	100%	Property development
Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限公司	the PRC, 21 October 2011	RMB10,000,000	**100%**	100%	Property development
Shanghai Xiangyi Management Consulting Co., Ltd. 上海向益管理諮詢有限公司	the PRC, 3 November 2011	RMB25,000,000	**100%**	100%	Property development
Chongqing Shenlian Investment Co., Ltd. 重慶深聯投資有限公司	the PRC, 22 August 2012	RMB20,000,000	**100%**	100%	Property development
Dongguan Yulongshan Property Development Co., Ltd. 東莞市御龍山房地產開發有限公司	the PRC, 9 April 2013	RMB20,000,000	**100%**	100%	Property development
Chongqing Tanxun Wulianwang Technology Co., Ltd. 重慶談訊物聯網科技有限公司	the PRC, 13 November 2013	RMB10,000,000	**100%**	100%	Property development

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Kaisa E-Commerce (Shenzhen) Co., Ltd. 佳兆業電子商務(深圳)有限公司	the PRC, 24 February 2014	RMB20,000,000	**100%**	100%	Property development
Shenzhen no.1 Warehouse Fast Network Co., Ltd. 深圳市一號倉佳速網絡有限公司	the PRC, 9 December 2014	RMB10,000,000	**100%**	100%	Property development
Boluo Guifangyuan Real Estate Development Co., Ltd. 博羅縣桂芳園房地產開發有限公司	the PRC, 17 November 2017	RMB10,000,000	**100%**	100%	Property development
Wuhan Haiding Property Co., Ltd. 武漢市海鼎置業有限責任公司	the PRC, 22 November 2002	RMB30,000,000	**100%**	100%	Property development
Shanghai Yuwan Mega Real Estate Development Co., Ltd. 上海裕灣兆業房地產開發有限公司	the PRC, 10 November 2016	RMB30,000,000	**75%**	75%	Property development
Chongqing Xintong Real Estate Development Co., Ltd. 重慶市新事通房地產開發有限公司	the PRC, 27 December 2016	RMB20,000,000	**100%**	100%	Property development
Shenzhen Zhenhua Harbour Enterprise Limited 深圳圳華港灣企業有限公司	the PRC, 3 May 1984	RMB21,000,000	**51%**	51%	Property development
Shenzhen Nanao Hotel Co., Ltd. 深圳市南澳大酒店有限公司	the PRC, 4 September 2000	RMB5,000,000	**100%**	100%	Property development
Shenzhen Sanlian Kendu Pharmaceutical Co., Ltd. 深圳三聯肯渡製藥股份有限公司	the PRC, 25 September 1995	RMB100,000,000	**70%**	70%	Property development
Shaoxing Hongjia Housing Co., Ltd. 紹興鴻佳置業有限公司	the PRC, 25 July 2016	RMB30,000,000	**70%**	70%	Property development
Foshan Jinyue Investment Co., Ltd. 佛山市京粵投資有限公司	the PRC, 15 July 1990	RMB1,500,000	**N/A (note i)**	100%	Property development
Guangzhou International Toys and Gift City Co., Ltd. 廣州國際玩具禮品城有限公司	the PRC, 31 October 2003	RMB370,000,000	**N/A (note i)**	90%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Zhuhai Jia Jun Investment Company Limited 珠海市佳駿投資有限公司	the PRC, 18 May 2016	RMB50,000,000	**100%**	100%	Property development
Hunan Xian Yong Real Estate Development Co., Ltd. 湖南湘永房地產開發有限公司	the PRC, 12 October 2009	RMB408,160,000	**100%**	100%	Property development
Nanjing Kaisa Jiayu Real Estate Development Company Limited 南京佳兆業佳御房地產開發有限公司	the PRC, 21 July 2016	RMB50,000,000	**100%**	100%	Property development
Xinzheng Henderson Real Estate Development Company Limited 新鄭市佳兆業房地產開發有限公司	the PRC, 14 July 2017	RMB400,000,000	**100%**	100%	Property development
Suzhou Tongjia Real Estate Development Co., Ltd. 蘇州市同佳房地產開發有限公司	the PRC, 17 July 2016	RMB50,000,000	**100%**	100%	Property development
Zhongshan Real Estate Development Co., Ltd. Tomizawa 中山富澤房地產開發有限公司	the PRC, 17 March 2015	RMB10,000,000	**80%**	80%	Property development
Hangzhou Jiaxin Zhiye Co., Ltd. 杭州佳欣置業有限公司	the PRC, 18 September 2016	RMB4,093,000	**100%**	100%	Property development
Hangzhou Wance Zhiye Co., Ltd. 杭州萬冊置業有限公司	the PRC, 11 August 2016	RMB50,000,000	**100%**	100%	Property development
Hunan Ding Cheng Da Real Estate Development Co., Ltd. 湖南鼎誠達房地產開發有限公司	the PRC, 26 September 2012	RMB100,000,000	**100%**	100%	Property development
Zhongshan Fugang Real Estate Development Co., Ltd 中山富港房地產開發有限公司	the PRC, 16 March 2017	RMB150,600,000	**80%**	80%	Property development
Jiashan Shangwan Real Estate Development Co., Ltd. 嘉善尚灣房地產開發有限公司	the PRC, 13 October 2017	RMB8,000,000	**51%**	100%	Property development

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Shenzhen Woodland Height Shiye Co., Ltd. 深圳市桂芳園實業有限公司	the PRC, 13 October 2003	RMB500,000,000	**100%**	100%	Property development
Huizhou Jinhu Property Development Co., Ltd. 惠州市金湖房地產有限公司	the PRC, 26 March 1993	RMB100,000,000	**100%**	100%	Property development
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	the PRC, 14 November 2006	RMB204,680,000	**100%**	100%	Property development
Chengdu Nanxing Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	the PRC, 5 November 2004	RMB420,000,000	**100%**	100%	Property development
Guangdong Kaisa Property Development Co., Ltd. ("Guangdong Kaisa") 廣東佳兆業房地產開發有限公司	the PRC, 12 July 2007	RMB10,000,000	**N/A (note i)**	100%	Property development
Hunan Kaisa Property Development Co., Ltd 湖南佳兆業房地產開發有限公司	the PRC, 21 August 2007	RMB220,000,000	**100%**	100%	Property development
Shenzhen Dapeng Kaisa Property Development Co., Ltd 深圳市大鵬佳兆業房地產開發有限公司	the PRC, 17 November 2000	RMB100,000,000	**100%**	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	RMB20,000,000	**100%**	100%	Property development
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司	the PRC, 19 July 2007	RMB1,000,000,000	**100%**	100%	Construction engineering
Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	the PRC, 29 January 1999	RMB10,000,000	**100%**	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. 上海新灣投資發展有限公司	the PRC, 17 January 2007	RMB35,000,000	**100%**	100%	Property development
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	the PRC, 29 August 2007	RMB60,000,000	**100%**	100%	Property development

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46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Boluo Kaisa Real Estate Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	the PRC, 2 June 2008	RMB10,000,000	**100%**	100%	Property development
Shenzhen Golden Bay Hotel Co., Ltd. 深圳市金沙灣大酒店有限公司	the PRC, 17 June 1997	RMB50,000,000	**100%**	100%	Hotel management
Leisure Land Hotel Property Management Jiangyin Co., Ltd 可域酒店置業管理江陰有限公司	the PRC, 15 October 2009	RMB150,000,000	**100%**	100%	Property development
Shenzhen Tianlian Industry Development Co., Ltd. 深圳市天利安實業發展有限公司	the PRC, 4 September 2002	RMB46,000,000	**100%**	100%	Property development
Jiangsu Kaisa Investment Co.,Ltd. 江蘇佳兆業投資有限公司	the PRC, 18 May 2010	RMB15,000,000	**100%**	100%	Property development
Baoji Crafts (Shenzhen) Co.,Ltd. 寶吉工藝品(深圳)有限公司	the PRC, 28 December 1988	RMB877,725,000	**100%**	100%	Property development
Jiangyin Washington Waterfront Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	the PRC, 10 December 2010	RMB20,000,000	**100%**	100%	Property development
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	the PRC, 7 January 2010	RMB260,000,000	**100%**	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	the PRC, 22 February 2011	RMB20,000,000	**100%**	100%	Property development
Foshan Shunde Ideal City Real Estate Investment Co.,Ltd. 佛山市順德區理想城房地產投資有限公司	the PRC, 9 October 2010	RMB775,510,000	**N/A (note i)**	100%	Property development
Dalian Kaisa Commerce Operation Management Co., Ltd 大連市佳兆業商業經營管理有限公司	the PRC, 18 March 2011	RMB120,000,000	**100%**	100%	Commerce management

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司	the PRC, 19 April 2011	RMB800,000,000	**100%**	100%	Property development
Kaisa Dai River East Property Development Co.,Ltd. 佳兆業東戴河房地產開發有限公司	the PRC, 6 July 2011	RMB50,000,000	**100%**	100%	Property development
Hunan Mingtai Zhiye Development Co., Ltd 湖南明泰置業發展有限公司	the PRC, 12 October 2000	RMB310,000,000	**100%**	100%	Property development
Shenzhen YueFeng Investment Co., Ltd 深圳市悅峰投資有限公司	the PRC, 25 April 2012	RMB100,000,000	**100%**	100%	Property development
Guangzhou Yaxiang Property Development Co., Ltd. 廣州市雅翔房地產開發有限公司	the PRC, 7 May 2012	RMB918,370,000	**N/A (note i)**	100%	Property development
Taizhou Kaisa Jiangshan Property Development Co., Ltd 泰州佳兆業江山房地產開發有限公司	the PRC, 30 December 2011	RMB50,000,000	**100%**	100%	Property development
Kaisa Property (Shanghai) Co., Ltd. 佳兆業地產(上海)有限公司	the PRC, 17 July 2012	RMB30,000,000	**100%**	100%	Property development
Wuhan Kaisa Investment Co., Ltd 武漢市佳兆業投資有限公司	the PRC, 13 July 2012	RMB250,000,000	**100%**	100%	Property development
Shanghai Jinwan Zhaoye Property Development Co., Ltd. 上海金灣兆業房地產開發有限公司	the PRC, 2 August 2012	RMB30,000,000	**100%**	100%	Property development
Jiangyin Binjiangyayuan Property Development Co., Ltd 江陰濱江雅園房地產開發有限公司	the PRC, 14 September 2012	RMB20,000,000	**100%**	100%	Property development
Dalian Huapu Zhiye Co., Ltd. 大連華普置業有限公司	the PRC, 9 December 2009	RMB100,000,000	**100%**	100%	Property development
Shanghai Jiawan Zhaoye Property Co., Ltd 上海嘉灣兆業房地產有限公司	the PRC, 24 December 2012	RMB30,000,000	**100%**	100%	Property development

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd. 佳兆業文化體育(深圳)有限公司	the PRC, 25 January 2013	RMB72,000,000	**90%**	90%	Commerce management
Kaisa Property (Hangzhou) Co., Ltd. 佳兆業房地產(杭州)有限公司	the PRC, 6 March 2013	RMB40,820,000	**100%**	100%	Property development
Chengdu Tianjia Zhiye Co., Ltd. 成都天佳置業有限公司	the PRC, 19 April 2013	RMB200,000,000	**100%**	100%	Property development
Shenzhen Jiawangji Property Development Co., Ltd. 深圳市佳旺基房地產開發有限公司	the PRC, 5 February 2010	RMB50,000,000	**70%**	70%	Property development
Guangzhou Jiayu Property Development Co., Ltd. 廣州市佳宇房地產開發有限公司	the PRC, 21 May 2013	RMB50,000,000	**N/A (note i)**	100%	Property development
Guangzhou Jiarui Property Development Co., Ltd. 廣州市佳瑞房地產開發有限公司	the PRC, 5 June 2013	RMB200,000,000	**N/A (note i)**	100%	Property development
Wuhan Junhui Property Development Co., Ltd. 武漢市君匯房地產開發有限公司	the PRC, 20 May 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Yingwan Zhaoye Property Development Co., Ltd. 上海贏灣兆業房地產有限公司	the PRC, 20 June 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Rongwan Zhaoye Property Development Co., Ltd. 上海榮灣兆業房地產開發有限公司	the PRC, 17 October 2013	RMB30,000,000	**100%**	100%	Property development
Wan Tai Chang Property Development (Suizhong) Co., Ltd. 萬泰昌房地產開發(綏中)有限公司	the PRC, 15 October 2013	HK$428,999,750	**100%**	100%	Property development
Hangxilongye Property (Hangzhou) Co., Ltd. 杭溪隆業房地產(杭州)有限公司	the PRC, 26 June 2013	RMB98,000,000	**100%**	100%	Property development

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Shanghai Chengwan Zhaoye Property Development Co., Ltd. 上海誠灣兆業房地產有限公司	the PRC, 2 August 2013	RMB58,820,000	**100%**	100%	Property development
Hunan Daye Property Development Co., Ltd. 湖南達業房地產開發有限公司	the PRC, 9 August 2013	RMB100,000,000	**100%**	100%	Property development
Chongqing Kaisa Property Development Co., Ltd. 重慶佳兆業房地產開發有限公司	the PRC, 13 November 2013	RMB946,675,000	**100%**	100%	Property development
Guanzhou Zhaochang Property Development Co., Ltd. 廣州市兆昌房地產開發有限公司	the PRC, 21 June 2013	RMB30,000,000	**N/A (note i)**	100%	Property development
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	the PRC, 15 September 2006	RMB20,000,000	**100%**	100%	Property development
Fenglong Group Co., Ltd. 豐隆集團有限公司	the PRC, 29 October 1993	RMB168,000,000	**100%**	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	the PRC, 14 January 1994	HK$256,026,685	**100%**	100%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	the PRC, 24 March 2008	USD3,794,256	**100%**	100%	Property development
Kaisa Real Estate Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	the PRC, 15 October 2009	RMB450,000,000	**100%**	100%	Property development
Kaisa Real Estate (Liaoning) Co., Ltd. 佳兆業地產(遼寧)有限公司	the PRC, 28 January 2010	RMB1,086,670,000	**100%**	100%	Property development
Kaisa Commerce Property Management (Panjin) Co., Ltd 佳兆業商業置業管理(盤錦)有限公司 ("Kaisa Panjin")	the PRC, 16 March 2011	USD61,660,000	**N/A (note iii)**	100%	Property development
Shenzhen Zhengchangtai Investment Consulting Co., Ltd 深圳市正昌泰投資諮詢有限公司	the PRC, 13 June 2007	RMB10,000,000	**100%**	100%	Property development

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Wan Rui Chang Property Development Co., Ltd 萬裕昌計算機技術開發(深圳)有限公司	the PRC, 26 October 2001	HK$2,000,000	**100%**	100%	Commerce management
Kaisa Holdings Limited 佳兆業集團有限公司	HK, 16 July 1999	HK$10,000	**100%**	100%	Property development
Beijing Jinmao Caixun Xinci Co., Ltd 北京金貿財迅信息有限公司	the PRC, 5 December 2005	RMB24,400,000	**100%**	100%	Commerce management
Dong Sheng Investment Company Limited 東升投資有限公司	BVI, 25 July 2007	USD1	**100%**	100%	Investment holding
Rui Jing Investment Company Limited 瑞景投資有限公司	BVI, 23 July 2007	HK$1	**100%**	100%	Investment holding
Kaisa (Huizhou) Road Construction Development Co., Ltd 佳兆業(惠州)道路建設發展有限公司	the PRC, 2 February 2008	USD40,000,000	**100%**	100%	Commerce management
Tai An Da Investment Company Limited 泰安達投資有限公司	BVI, 2 March 2010	USD2	**100%**	100%	Investment holding
Wan Rui Fa Investment Company Limited 萬瑞發投資有限公司	HK, 2 March 2010	HK$10,000	**100%**	100%	Investment holding
Tai He Sheng Investment Company Limited 泰和盛投資有限公司	BVI, 2 March 2010	USD1	**100%**	100%	Investment holding
Tai Chong Li Investment Company Limited 泰昌利投資有限公司	BVI, 2 March 2010	USD1	**100%**	100%	Investment holding
Wan Jin Chang Investment Limited 萬晉昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Wan Rui Chang Investment Company Limited 萬瑞昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Wan Tai Chang Investment Company Limited 萬泰昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Shenzhen Kaisa hotel Management Co., Ltd 深圳市佳兆業酒店管理有限公司	the PRC, 15 September 2010	RMB110,750,000	**100%**	100%	Hotel management

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Hong Kong Kaisa Industry Co.,Limited 香港佳兆業實業有限公司	HK, 24 November 2010	USD1,000	**100%**	100%	Investment holding
Changzhou Kaisa Property Development Co., Ltd 常州佳兆業房地產開發有限公司	the PRC, 8 December 2010	RMB506,958,095	**100%**	100%	Property development
Sunny Sino Investments Limited 熙華投資有限公司	HK, 21 September 2011	USD1	**100%**	100%	Investment holding
Xifeng Management Consulting (Shenzhen) Co,. Ltd. 熙豐管理諮詢(深圳)有限公司	the PRC, 17 November 2011	RMB1,000,000	**100%**	100%	Commerce management
Shenzhen Denghong Management Consulting Co., Ltd 深圳市德弘管理諮詢有限公司	the PRC, 8 November 2011	RMB500,000,000	**100%**	100%	Commerce management
Action Enrich Limited 行裕有限公司	BVI, 2 May 2012	USD1,000	**100%**	100%	Investment holding
Chengdu Dingchengda Property Development Co., Ltd 成都市鼎誠達房地產開發有限公司	the PRC, 6 July 2012	RMB10,000,000	**100%**	80%	Property development
Zuobo Management Consulting (Shenzhen) Co., Ltd 佳兆業左博置業(深圳)有限公司	the PRC, 21 August 2012	RMB20,000,000	**100%**	100%	Property development
Wan Rui Chang Property Development (Suizhong) Co., Ltd 萬瑞昌房地產開發(綏中)有限公司	the PRC, 1 August 2012	HK$244,000,000	**100%**	100%	Property development
Kaisa Property (Dandong) Co., Ltd 佳兆業地產(丹東)有限公司	the PRC, 30 October 2012	USD50,500,000	**100%**	100%	Property development
Shenzhen Cixiang Kaisa Property Development Co., Ltd. 深圳市西鄉佳兆業房地產開發有限公司	the PRC, 27 May 2013	RMB50,000,000	**100%**	100%	Property development

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Splendid Maple Limited 燁楓有限公司	BVI, 21 May 2013	USD10,000	**100%**	100%	Investment holding
Huidong Kaisa Property Development Limited 惠東縣佳兆業房地產開發有限公司	the PRC, 13 February 2014	RMB50,000,000	**100%**	100%	Property development
Suzhou Kaisa Property Development Co., Ltd. 蘇州市佳兆業房地產開發有限公司	the PRC, 20 February 2014	RMB196,000,000	**100%**	100%	Property development
Suzhou Kaisa Shangpin Property Development Co., Ltd. 蘇州市佳兆業上品房地產開發有限公司	the PRC, 21 February 2014	RMB98,000,000	**100%**	100%	Property development
Chengdu Jincheng Jiaye Property Development Co., Ltd. 成都錦城佳業房地產開發有限公司	the PRC, 24 February 2014	RMB10,000,000	**100%**	100%	Property development
Nanjing Aoxin Property Development Co., Ltd. 南京奧信房地產開發有限公司	the PRC, 11 November 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Qingwan Zhaoye Property Development Co., Ltd. 上海青灣兆業房地產開發有限公司	the PRC, 21 August 2014	RMB50,000,000	**100%**	100%	Property development
Chengdu Jinxinrui Property Development Co., Ltd. 成都市錦新瑞房地產開發有限公司	the PRC, 7 November 2012	RMB50,000,000	**100%**	100%	Property development
Shenzhen Chuangzhan Hotel Development Co., Ltd. 深圳市創展酒店發展有限公司	the PRC, 12 June 2012	RMB10,000,000	**51%**	51%	Property development
Shenzhen Guanyang Property Development Co., Ltd. 深圳冠洋房地產有限公司	the PRC, 5 June 2009	RMB100,000,000	**51%**	51%	Property development
Shenzhen Jielingzixun Co., Ltd. 深圳市杰領信息諮詢有限公司	the PRC, 3 November 2014	RMB1,000,000	**100%**	100%	Commerce management
Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited") 佳兆業健康集團控股有限公司（前稱美加醫學科技有限公司）	Bermuda, 23 January 1997	HK$6,377,000	**42.99% (note ii)**	41.24%	Investment holding
Kaisa Property Holdings Limited 佳兆業物業集團有限公司	Cayman Islands, 13 October 2017	RMB1,232,000	**75%**	N/A	Investment holding
Zhongshan Runbang Real Estate Development Co., Ltd. 中山市潤邦房地產開發有限公司	the PRC, 24 May 2012	RMB1,000,000	**100.00% (note iv)**	N/A	Property development

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46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Chengdu Shengshi Phoenix Nest Property Co., Ltd. 成都盛世凰巢置業有限公司	the PRC, 7 January 2014	RMB30,000,000	**100.00% (note iv)**	N/A	Property development
Chongqing Dingzhu Development Co., Ltd. 重慶鼎鑄實業發展有限公司	the PRC, 28 June 2018	RMB18,000,000	**100.00% (note iv)**	N/A	Property development
Zhuhai Hao Hui Business Service Co., Ltd. 珠海浩輝商務服務有限公司	the PRC, 28 May 2015	RMB10,000,000	**100.00% (note iv)**	N/A	Commerce management
Chongqing Yasheng Industry Co., Ltd. 重慶渝盛業實業有限公司	the PRC, 28 August 2018	RMB2,000	**100.00%**	N/A	Commerce management
Xinxing Kaisa Real Estate Development Co., Ltd. 新鄉市佳兆業房地產開發有限公司	the PRC, 23 August 2018	RMB10,000	**100.00%**	N/A	Property development
Suizhong Jialin Real Estate Development Co., Ltd. 綏中佳霖房地產開發有限公司	the PRC, 21 August 2018	RMB5,000	**100.00% (note iv)**	N/A	Property development
Suizhong Jia Yue Real Estate Development Co., Ltd. 綏中佳悦房地產開發有限公司	the PRC, 21 August 2018	RMB5,000	**100.00%**	N/A	Property development
Yanjiang Jiayin Development Co., Ltd. 陽江市佳盈發展有限公司	the PRC, 29 June 2018	RMB1,000	**100.00%**	N/A	Property development
Yanjiang Zhaoxiang Development Co., Ltd. 陽江市兆翔發展有限公司	the PRC, 29 June 2018	RMB1,000	**100.00%**	N/A	Property development
Zhangjiang Kaisa Top Quality Real Estate Development Co., Ltd. 張家港市佳兆業上品房地產開發有限公司	the PRC, 2 July 2018	RMB5,000	**100.00%**	N/A	Property development
Xuzhou Jiale Real Estate Development Co., Ltd. 徐州佳樂房地產開發有限公司	the PRC, 27 June 2018	RMB17,500,000	**80.00%**	N/A	Property development
Shaoxing Ming Yue Real Estate Co., Ltd. 紹興明悦置業有限公司	the PRC, 10 May 2018	RMB2,000	**100.00%**	N/A	Property development

Notes:

(i) The Group entered into agreements with a number of investors for the capital injection in certain subsidiaries operating in Guangzhou region. Upon capital injection, the Group's equity interest in these subsidiaries have been diluted from 100% to 49%. These companies ceased to be subsidiaries of the Group, and were there accounted for as associates of the Group, using equity method, see note 40.

(ii) During the year ended 31 December 2018, the Group further acquired 63,000,000 shares of Kaisa Health, at a consideration approximately of RMB14,795,000, the Group's equity interest in Kaisa Health increased from 41.24% as at 31 December 2017 to 42.99% as at 31 December 2018.

(iii) The Group sell its completed properties held for sales and properties under development of Kaisa Anshan and Kaisa Panjin to an independent third party through disposals of companies. The consideration of approximately RMB6,313,620,000 in aggregate was recorded as revenue during the year ended 31 December 2018.

(iv) The Group acquired assets through acquisitions of subsidiaries. See note 39(a).

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46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiaries	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests 2018	2017	Total comprehensive income/(losses) allocated to non-controlling interests 2018 RMB'000	2017 RMB'000	Accumulated non-controlling interests 2018 RMB'000	2017 RMB'000
Shenzhen Marine and its subsidiaries ("Shenzhen Marine Group") (note i)	the PRC	**30%**	30%	**60,344**	39,326	**10,298,042**	10,237,698
Kaisa Health Group (note ii)	Bermuda	**57.01%**	58.76%	**(23,578)**	(7,029)	**605,468**	629,046
Shenzhen Kaisa Health Care Service Co., Ltd.* ("Shenzhen Kaisa Health") 深圳市佳兆業健康養老服務有限公司 (note iii)	the PRC	**49%**	N/A	**–**	N/A	**1,568,000**	–

Note:

i As at 31 December 2018, the Group held 70% (2017: 70%) equity interest in Shenzhen Marine, which indirectly held 51% (2017: 51%) equity interest in Shenzhen Zhenhua Harbour Enterprise Limited* ("深圳圳華港灣企業有限公司").

ii Kaisa Health Group is listed on the Stock Exchange. During the year ended 31 December 2018, the Group further acquired 63,600,000 shares, at a consideration of approximately RMB14,795,000, the Group's equity interest in Kaisa Health increased from 41.24% as at 31 December 2017 to 42.99% as at 31 December 2018. Although the Group had only 42.99% (2017: 41.24%) ownership in Kaisa Health Group, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities on the basis of the Group's absolute size of shareholding and the relevant size and dispersion of the shareholdings owned by the other shareholders. The remaining 57.01% (2017: 58.76%) ownership are owned by thousands of shareholders that are unrelated to the Group, none of individually holding more than 10%.

iii During the year ended 31 December 2018, the Group entered into cooperation agreement with an independent third party, it is agreed that the Group and the investor contributed RMB1,632,000,000 and RMB1,568,000,000, respectively to obtain the land for the further development. After capital injection, the Group and the investor had 51% and 49% equity interest in this Shenzhen Kaisa Health.

* The english translation of the name of the company established in the PRC is for reference only. The official name of the Company is in Chinese.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests as set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2018 Shenzhen Kaisa Health RMB'000	2018 Kaisa Health Group RMB'000	2018 Shenzhen Marine Group RMB'000	2017 Kaisa Health Group RMB'000	2017 Shenzhen Marine Group RMB'000
Current assets	**3,200,000**	**500,447**	**16,957,815**	569,541	16,343,660
Non-current assets	**–**	**688,714**	**771,977**	647,603	563,193
Current liabilities	**–**	**(54,633)**	**(2,693,926)**	(47,455)	(625,621)
Non-current liabilities	**–**	**(105,350)**	**(27,695)**	(99,154)	(187,948)
Equity	**3,200,000**	**1,029,178**	**15,008,171**	1,070,535	16,093,284
Equity attributable to owners of the Company	**1,632,000**	**423,710**	**4,710,129**	441,489	5,855,586
Equity attributable to non-controlling interests	**1,568,000**	**605,468**	**10,298,042**	629,046	10,237,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

	Shenzhen Kaisa Health since capital injection to 31 December 2018 RMB'000	Kaisa Health Group for the year ended 31 December 2018 RMB'000	Shenzhen Marine Group for the year ended 31 December 2018 RMB'000	Kaisa Health Group since acquisition to 31 December 2017 RMB'000	Shenzhen Marine Group for the year ended 31 December 2017 RMB'000
Revenue	–	205,704	826,598	15,123	553,056
(Loss)/Profit for the year/period	–	(75,617)	187,923	(3,831)	140,637
Other comprehensive income/(loss) for the year/period	–	34,260	13,227	(8,131)	(15,983)
Total comprehensive (loss)/income attributable to owners of the Company	–	(17,779)	140,806	(4,933)	85,328
Total comprehensive (loss)/income attributable to the non-controlling interests	–	(23,578)	60,344	(7,029)	39,326
Total comprehensive (loss)/income for the year/period	–	(41,357)	201,150	(11,962)	124,654
Net cash from operating activities	–	6,022	632,826	5,958	157,045
Net cash used in investing activities	–	(298,572)	(664,883)	(13,523)	(335,695)
Net cash (used in)/from financing activities	–	(15,031)	57,076	508,611	46,299
Net cash (outflow)/inflow	–	(307,581)	25,019	501,046	(132,351)

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	**3,055,880**	2,551,580	1,087,064	760,171	848,179
Investment properties	**35,930,000**	32,025,830	30,690,680	20,738,703	16,256,160
Land use rights	**669,078**	395,815	163,178	162,942	169,228
Investments in associates	**7,072,822**	5,284,835	1,331,121	783,175	778,461
Investments in joint ventures	**8,677,152**	6,818,118	931,751	–	–
Available-for-sale financial assets	**–**	4,400,796	154,538	–	–
Financial assets at fair value through profit or loss	**6,567,622**	–	–	–	–
Debtors, deposits and other receivables	**1,652,852**	823,860	–	–	–
Goodwill and intangible assets	**1,105,288**	1,206,237	217,798	–	–
Long-term bank deposit	**400,000**	–	–	1,479	64,695
Convertible bonds receivable	**–**	41,328	–	–	–
Deferred tax assets	**784,310**	9,699	26,543	32,207	58,824
	65,915,004	53,558,098	34,602,673	22,478,677	18,175,547
Current assets					
Properties under development	**64,764,338**	68,066,413	60,559,839	63,861,735	69,335,835
Completed properties held for sale	**13,130,534**	18,170,966	16,246,233	17,663,012	11,320,631
Inventories	**105,305**	2,714	–	–	–
Available-for-sale financial assets	**–**	–	13,104	10,000	56,823
Deposits for land acquisition	**19,445,196**	21,422,522	17,693,750	4,002,386	3,776,684
Prepayments for proposed development projects	**19,080,815**	15,925,608	13,620,415	10,566,950	9,617,786
Debtors, deposits and other receivables	**22,600,171**	14,124,677	5,786,042	5,357,835	3,697,214
Prepaid taxes	**1,134,324**	850,499	727,280	298,157	262,507
Financial derivatives	**–**	–	–	–	627
Restricted cash	**6,792,292**	7,939,574	5,696,597	969,403	1,078,291
Financial assets at fair value through profit or loss	**328,204**	96,467	–	–	–
Short-term bank deposits	**252,718**	1,232,206	56,917	13,974	189,860
Cash and bank balances	**15,479,139**	11,998,423	10,819,117	2,324,546	3,131,154
	163,113,036	159,830,069	131,219,294	105,067,998	102,467,412

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Advance proceeds received from customers and deposits received	–	29,564,933	27,973,395	14,524,168	15,771,087
Contract liabilities	**39,154,089**	–	–	–	–
Accrued construction costs	**12,599,547**	15,170,791	10,704,790	14,591,720	14,118,865
Income tax payable	**7,773,315**	5,649,679	4,440,460	3,989,909	3,879,450
Borrowings	**16,965,694**	22,173,037	7,762,301	33,713,019	61,256,102
Financial derivatives	–	–	263,822	–	34,735
Other payables	**19,917,262**	17,315,611	7,652,852	5,959,975	4,459,886
	96,409,907	89,874,051	58,797,620	72,778,791	99,520,125
Net current assets	**66,703,129**	69,956,018	72,421,674	32,289,207	2,947,287
Total assets less current liabilities	**132,618,133**	123,514,116	107,024,347	54,767,884	21,122,834
Non-current liabilities					
Borrowings	**91,800,258**	89,000,150	79,774,515	38,405,150	4,466,896
Other payables	–	104,171	–	–	–
Deferred tax liabilities	**4,478,563**	4,411,645	4,203,433	3,163,089	2,206,959
	96,278,821	93,515,966	83,977,948	41,568,239	6,673,855
Net assets	**36,339,312**	29,998,150	23,046,399	13,199,645	14,448,979
EQUITY					
Share capital	**533,389**	532,865	450,450	450,450	450,450
Share premium	**6,168,607**	6,913,069	4,253,704	4,253,704	4,253,704
Reserves	**14,938,114**	11,641,988	8,241,973	8,845,390	9,958,817
Equity attributable to owners of the Company	**21,640,110**	19,087,922	12,946,127	13,549,544	14,662,971
Non-controlling interests	**14,699,202**	10,910,228	10,100,272	(349,899)	(213,992)
Total equity	**36,339,312**	29,998,150	23,046,399	13,199,645	14,448,979

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**38,704,967**	32,779,347	17,771,517	10,926,535	19,600,176
Cost of sales	**(27,576,209)**	(23,845,129)	(15,459,546)	(10,583,158)	(16,729,262)
Gross profit	**11,128,758**	8,934,218	2,311,971	343,377	2,870,914
Other gains and (losses), net	**(638,696)**	(123,454)	(560,512)	(216,339)	(1,742,408)
Net gain on deemed disposal of subsidiaries	**2,912,593**	–	–	–	–
Selling and marketing costs	**(1,262,466)**	(896,012)	(842,695)	(559,419)	(798,518)
Administrative expenses	**(2,601,078)**	(2,501,232)	(1,745,262)	(1,066,169)	(1,170,986)
Fair value gain of investment properties	**212,374**	2,088,849	4,161,371	3,824,520	3,626,772
Fair value loss of financial derivatives	**–**	(969,204)	(21,500)	(42,219)	(85,772)
Loss arising from the Incident	**–**	–	–	–	(482,736)
Loss on step acquisition of a subsidiary	**–**	(146,258)	–	–	–
Operating profit	**9,751,485**	6,386,907	3,303,373	2,283,751	2,217,266
Share of results of associates	**239,913**	31,685	(40,578)	(3,586)	(634)
Share of results of joint ventures	**(48,726)**	37	8,223	–	–
Finance income	**402,511**	1,486,084	39,236	10,717	25,039
Finance costs	**(2,573,298)**	(1,238,286)	(2,159,602)	(2,117,161)	(775,804)
Finance (costs)/income – net	**(2,170,787)**	247,798	(2,120,366)	(2,106,444)	(750,765)
Gain on extinguishment of financial liabilities	**–**	–	716,143	–	–
Profit before income tax	**7,771,885**	6,666,427	1,866,795	173,721	1,465,867
Income tax expenses	**(4,477,629)**	(3,622,579)	(2,214,306)	(1,428,205)	(2,765,935)
Profit/(Loss) for the year	**3,294,256**	3,043,848	(347,511)	(1,254,484)	(1,300,068)
Other comprehensive income/(loss), including reclassification adjustments items that may be classified subsequently to profit or loss:					
Fair value loss of available-for-sale financial assets, net of tax	**–**	–	(210)	–	–
Exchange differences on translation of foreign operations	**6,641**	(6,387)	–	–	–
Other comprehensive income/(loss) for the year, including reclassification adjustments	**6,641**	(6,387)	(210)	–	–
Total comprehensive income/(loss) for the year	**3,300,897**	3,037,461	(347,721)	(1,254,484)	(1,300,068)
Profit/(Loss) for the year attributable to:					
Owners of the Company	**2,750,206**	3,284,889	(612,380)	(1,121,577)	(1,287,484)
Non-controlling interests	**544,050**	(241,041)	264,869	(132,907)	(12,584)
	3,294,256	3,043,848	(347,511)	(1,254,484)	(1,300,068)
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company	**2,734,394**	3,283,297	(612,590)	(1,121,577)	(1,287,484)
Non-controlling interests	**566,503**	(245,836)	264,869	(132,907)	(12,584)
	3,300,897	3,037,461	(347,721)	(1,254,484)	(1,300,068)

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