



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

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



BRING YOU JOYFUL LIVING



ANNUAL REPORT
2015

* For identification purposes only

GROUP OVERVIEW

Founded in 1999, Kaisa Group Holdings Ltd. (the “**Company**” or “**Kaisa**”) and its subsidiaries (collectively the “**Group**”) are large-scale integrated property developer. The shares of the Company commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited on 9 December 2009. Over the years, the Group has been primarily focusing on urban property development. The scope of its business covers property development, commercial operation, hotel management and property management services with products comprising residential properties, villas, offices, serviced apartments, integrated commercial buildings and mega urban complexes. Founded in Shenzhen, the Group has expanded to cover the economically-vibrant cities and regions, including the Pearl River Delta, the Yangtze River Delta, the Western China Region, the Central China region and the Pan-Bohai Bay Rim.

Kaisa is committed to the core values of “professionalism, innovation, value and responsibility” by actively participating in a wide range of urban development projects in China and we believe it will inject creativity into China’s urbanisation process. We believe our brand “Kaisa” remains to be our pledge to carry out high quality property developments, to surpass the industry’s standards and requirements, and of devotion to customer satisfaction.



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. KWOK Ying Shing (*Chairman*)
Mr. SUN Yuenan
Mr. YU Jianqing
Mr. ZHENG Yi

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. YU Jianqing

COMPANY SECRETARY

Mr. HABIBULLAH Abdul Rahman

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

**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

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

- The Group was the “double champion” of the 2014 Shenzhen Developer Awards, ranking top in Annual Transaction Volume and Annual Transaction Amount of Residential Properties. The accolades came after the Group being ranked the best-selling company in Shenzhen property market in four aspects in 2013. The best-selling momentum has lasted for 24 months.⁽¹⁾
- Shenzhen Kaisa City Plaza was crowned the champion of Transaction Volume Award of Shenzhen Property Market in 2014. The Kaisa City Plaza project had topped the list for two consecutive years.⁽¹⁾
- Shenzhen Kaisa Qianhai Plaza ranked the 2nd in terms of property transaction volume in Nanshan in 2014.
- Appointed Houlihan Lokey (China) Limited as financial advisor to provide strategic advice in respect of the capital structure (including the onshore and offshore debt and other liabilities) of the Company.

03 MAR

- The Group was ranked the 21st in “2014 Ranking of China’s 100 Best Real Estate Enterprises” and “2014 China’s Listed Real Estate Enterprises TOP 30”.⁽²⁾

05 MAY

- The Group won the bid for the operation right of Yantian Sports Center. The Group had again successfully engaged in a project in the cultural and sports industry since it became the global operator of Shenzhen Universiade Sports Center and the joint operator of Shenzhen Nanshan Wenti Center in 2013.

04 APR

- Mr. KWOK Ying Shing and Mr. ZHENG Yi were appointed as executive directors.



MILESTONES

07 JUL

- Mr. ZHENG Yi was appointed as the Chief Executive Officer of the Company.
- The cultural and sports company of Kaisa made a leap in its development. In the public tender for the operation and management of Foshan Gaoming Sports Center, the Group won the bid and got the 20-year operation right of Foshan Gaoming Sports Center with its absolute advantage.
- The "2015 Lot 2 Town re-development formulated plan of Shenzhen" was announced on the website of Shenzhen Urban Planning and Land Resources Committee. As presented in the plan, the "Banxuegang Tech City 15 urban renewal units" project submitted by the subsidiaries of the Group had been approved by the municipal government, development and construction works could be commenced in accordance with the procedures stipulated by the Government. The demolition area of the project occupies 90,733 sq.m.. At present, the total GFA was approximately 164,600 sq.m.. The intended renewal is mainly directed to redeveloping the industrial area and transforming it into a functional area for emerging industries as well as commercial and residential purposes.

12 DEC

- Xinhuanet, Xinhaunet (Guangdong branch), Xinhua Charity Foundation, Guangdong Province Charitable Foundation jointly organized the Guangdong Real Estate Social Responsibility Summit and the Public Welfare Grand Ceremony for "Xinhua Welfare • Heart-to-heart Project", which were held in Guangzhou on 30 December 2015. The Group received the honor of "2015 Social Responsibility Welfare Role Model" for its outstanding achievements in respect of charitable activities.

06 JUN

- The procurement agency of Shenzhen Longhua New District Public Utility Bureau officially announced that the Group, through a public tender, had acquired the operation and management right of Shenzhen Longhua New District Mission Hills Sports Park.

08 AUG

Notes:

- (1) According to statistics compiled by www.szhome.com.
 (2) Compiled and published by www.guandian.cn.



AWARDS



| | | | | |
|--|--|--|--|---|
| <p>Sohu Focus <i>January 2015</i></p> <p>Shanghai Kaisa Mansion No.8 – 2015 Popular Property</p>  | <p>FangDr.com <i>January 2015</i></p> <p>Huizhou Kaisa Mansion No.1 – China Real Estate Internet Rankings 2014 Huizhou-Most Popular Quality Mansion Among Internet Users</p>  | <p>Guangzhou Daily <i>January 2015</i></p> <p>Guangzhou Sky Mansion – 2014 China Luxurious Mansion</p>  | <p>China Business News <i>January 2015</i></p> <p>2014 Real Estate Value Ranking in China (China-based Hong Kong Stock TOP20)</p>  | <p>蘇州怡生樂居網絡信息有限公司 (Suzhou Yisheng Leju Information Network Company Limited) <i>February 2015</i></p> <p>Suzhou Kaisa Monarch Residence Project – 2015 Annual Baidu Influence Property</p>  |
|--|--|--|--|---|



| | | | | |
|--|---|---|---|---|
| <p>Nanfang City News <i>May 2015</i></p> <p>Guangzhou Kaisa City Plaza – 2015 Gold Medal House Layout</p>  | <p>Construction Industry Safety Association of Guang Dong <i>July 2015</i></p> <p>Foshan Shunde Kaisa Golden World – Demonstration Site of Safety Production and Civilization Construction</p>  | <p>China Property Management Association <i>September 2015</i></p> <p>2015 Top 100 Property Management Companies</p>  | <p>China Property Management Association <i>September 2015</i></p> <p>2015 Featuring Companies in Residential Property Management</p>  | <p>365 Taofang Net <i>November 2015</i></p> <p>Hangzhou Jade Dragon Court – 2015 The Most Livable Residential Property of High-quality</p>  |
|--|---|---|---|---|

AWARDS



廣州市房掌櫃網絡技術有限公司蘇州分公司 (Guangzhou Fang Zhan Gui Technology Company Limited, Suzhou Branch)
November 2015

Suzhou Kaisa Monarch Residence Project – 10 Best Residential Development Standard (Suzhou) on fzg360.com



廣州市房掌櫃網絡技術有限公司蘇州分公司 (Guangzhou Fang Zhan Gui Technology Company Limited, Suzhou Branch)
November 2015

Suzhou Kaisa Plaza Project – 2015 10 Best Residential Development Standard (Suzhou) on fzg360.com



Xiaoxiang Morning Herald
December 2015

Kaisa – Meixi Lake Project – 2015 Best Quality Villa of Comprehensive Quality in Changsha



Xiaoxiang Morning Herald
December 2015

Kaisa – Changsha Lake View Place – 2015 Best Luxurious Villa of Highest Quality in Changsha



Sina Leju
December 2015

Kaisa – Changsha Lake View Place – 2015 Annual Green Living Property



Guangdong Building Association
December 2015

Foshan Shunde Kaisa Golden World Phase VI District A – Constructions of Quality Structure in Guangdong



Beijing Evening News
December 2015

Kaisa Dongdaihe Project – 2015 Best Real Estate Property for Vacation



Beijing Community Media
December 2015

Kaisa Dongdaihe Project – 2015 China Health Resort Model Property



Xinhaunet
December 2015

2015 Social Responsibility Welfare Role Model





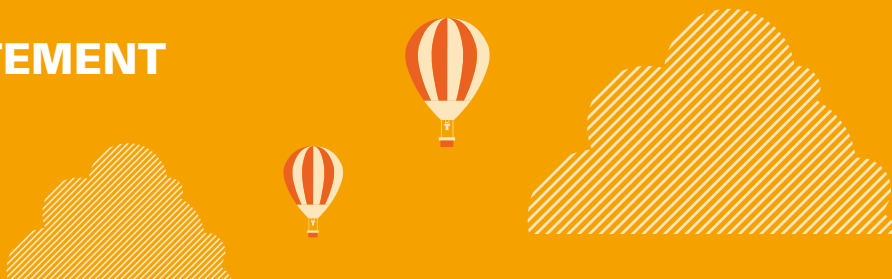
QUALITY PLAYS A
PIVOTAL ROLE IN AN
ENTERPRISE'S DEVELOPMENT



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. (the “**Company**”, together with its subsidiaries, the “**Group**”), I announce the annual results of the Group for the year ended 31 December 2015 together with the comparative figures for the previous corresponding year.

Once again, on behalf of the Board, I would like to take this opportunity to express our sincerest and utmost appreciation to all the shareholders of the Company, investors, business partners and other stakeholders for their patience and continued support to the Company despite the suspension of trading in the shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 31 March 2015. For the resumption progress, please refer to the section headed “Resumption Progress” in the Report of the Directors.

RESULTS AND DIVIDEND

For the year ended 31 December 2015, the Group’s turnover and gross profit were approximately RMB10,926.5 million and RMB343.4 million, respectively, representing decreases of approximately 44.3% and 88.0%, respectively, as compared to 2014. Loss attributable to equity holders of the Company and basic loss per share were approximately RMB1,121.6 million and RMB21.8 cents, respectively, as compared to the loss attributable to equity holders of the Company of RMB1,287.5 million and basic loss per share of RMB25.5 cents in the last year.

The Board does not recommend payment of a final dividend for the year ended 31 December 2015 (2014: nil).

BUSINESS REVIEW

The year 2015 marked the beginning of a “new normal” phase of development in Chinese economy, following three decades of robust growth. To mitigate the impact of economic slowdown and promote structural reforms, the Central Government launched a stimulus package aiming at more sustainable growth and stronger productivity. Supply-side reform measures had been stipulated to clear excessive capacity, inventory and leverage while containing costs and strengthening weak links in the economy, seeking to instill better sustainability to growth.

This package kicked-start a modest revival in activities in the real estate market in China. According to the data from the National Bureau of Statistics of China, the country saw commodity residential housing transaction volume grew 14.4% year on year to RMB8,728.1 billion. Meanwhile the total gross floor area (“**GFA**”) available for sale increased 15.6% year on year. Activities were more concentrated than ever among upper-tier cities, with 30 large and medium cities accounted for nearly half of the total sales across the country. Land premiums in first and second tier cities climbed more than 30% for the year.

In response to the imminent revival yet increasingly complicated industry landscape, the Group stayed focused on its core businesses. The Group achieved RMB9.3 billion in contracted sales for the year, down 60% year on year due to blockage and restriction imposed on certain property projects by the relevant PRC government authorities since November 2014.

With respect to land acquisitions, the Group stayed focused on first and second tier cities and provincial capitals. As at 31 December 2015, 79.4% of the Group’s land reserves were located in first and second tier cities. The ongoing optimisation of the Group’s land bank helped secure high-quality resources for its expansion, strengthening its resilience against cyclical adjustments in the industry.

CHAIRMAN'S STATEMENT

INVESTOR RELATIONS

The Company is devoted to maintaining effective communication with its shareholders and investors through regulatory filing, announcements and meetings, in order to keep them updated with the Company's recent developments. The Group values inputs from investors and reviews its operational and financial management from time to time.

PROSPECTS

Going forward in 2017, the residential property market in China will be less heated than it was in 2016 due to lingering impact of purchasing and mortgage borrowing restrictions introduced in the second half of 2016. There will be slower growth for transaction volumes due to the high comparison base set in 2016 and the shrinking owner-occupier and investment demand due to the purchase and borrowing restrictions. Prices will trend up slowly but will find strong support, especially in first and second tier cities, as inventories have been substantially lowered after months of clearance sales in 2016.

The Group strives to enhance its profitability. In developing its core property business, the Group will also pursue for steady, high-quality yet harmonious growth.

ACKNOWLEDGEMENT

The Board will continue to mitigate the negative impact and implement measures to manage any operational and reputational risks of the Group, and realise and enhance core strengths of the Group for its sustainable development.

I would like to take this opportunity to extend my sincerest gratitude to all of our shareholders for their enormous support on us during the year. Our staff members have been serving the Group with their most dedicated efforts that, when coupled with support from our business partners and creditors, have fueled our courage and resilience to work with the relevant authorities and parties to resolve the whole situation surrounding us. On behalf of the Board, I would like to express my wholehearted tribute to all shareholders of the Company, investors, business partners and customers.

KWOK Ying Shing

Chairman

Hong Kong 25 March 2017





GIVING PRIORITY TO **CUSTOMERS VALUE**



**ESTABLISHING
HEALTHY AND
HARMONIOUS
COMMUNITIES**

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year, the Group recorded a turnover of approximately RMB10,926.5 million, representing a decrease of 44.3% as compared to that of year 2014. Loss attributable to equity holders of the Company amounted to approximately RMB1,121.6 million, as compared to approximately RMB1,287.5 million for year 2014. The net loss for the year, excluding changes in fair values of investment properties and financial derivatives, net of deferred tax increased to approximately RMB4,080.7 million, representing an increase of 3.7% as compared to that of year 2014. Basic loss per share was RMB21.8 cents as compared to RMB25.5 cents in 2014.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Contracted sales in 2015

During the year ended 31 December 2015, the Group's contracted sales amounted to approximately RMB9.3 billion, representing decline of 60% as a result of blockage and restriction imposed by the relevant government authorities on certain projects since November 2014. Aggregated GFA sold for the year was approximately 1,255,279 sq.m., representing a decrease of 49% year-on-year. Average selling price ("ASP") of the contracted sales decreased by 21.5% year-on-year to RMB7,372 per sq.m.. The table below shows the Group's contracted sales by region in 2015:

| Region | Contracted sales area (sq.m.) | Contracted sales amount (RMB in Millions) |
|----------------------|-------------------------------|---|
| Pearl River Delta | 263,128 | 3,294 |
| Yangtze River Delta | 157,986 | 1,908 |
| Western China Region | 350,334 | 1,874 |
| Central China Region | 236,767 | 1,128 |
| Pan-Bohai Bay Rim | 247,064 | 1,050 |
| Total | 1,255,279 | 9,254 |

Property development

Projects completed in 2015

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 2.3 million sq.m..

Projects under development

As at 31 December 2015, the Group had 30 projects under development with an aggregate of GFA of approximately 6.6 million sq.m..

Property management

The Group provides property management services to properties developed by the Group. During the year under review, the Group managed a total floor area of approximately 18.2 million sq.m.. In December 2015, Kaisa was ranked 14th in "2015 China Top 100 Property Management Companies" jointly compiled by China Index Research Institute and China Real Estate Top 10 Research Team. The Group's property management arm is striving to deliver excellent and professional services to its customers.

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 the long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 31 December 2015, the Group held an aggregate GFA of 409,795 sq.m. completed investment properties for rental purpose.

Land bank

It remains an ongoing effort of the Group to expand its land reserve to implement the business strategy of rapid turnover model. Since late 2011, the Group started to re-focus the opportunities in first and second tier cities and provincial capitals with a focus on end-user mass market, enabling the Group to be less susceptible to policy risk while achieving a more balanced property portfolio. As at 31 December 2015, the Group had a total land bank of approximately 23.09 million sq.m., which is sufficient for the Group's development needs for the next five years.

Outlook

There will be slower growth for transaction volumes in 2017 due to the impact of purchasing and mortgage borrowing restrictions introduced in October 2016, while the prices in first and second tier cities will stay at a steady level. Against such backdrop, the Group will meet the market demand with high quality products and services and strive to enhance its profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from five business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, and (v) cinema, department store and cultural centre operations. Revenue decreased by 44.3% to approximately RMB10,926.5 million in 2015 from approximately RMB19,600.2 million in 2014. 94.2% of the Group's revenue was generated from the sales of properties (2014: 97.0%) and 5.8% from other segments (2014: 3.0%).

Sales of properties

Revenue from sales of properties decreased by approximately RMB8,711.8 million, or 45.8%, to approximately RMB10,291.9 million in 2015 from approximately RMB19,003.7 million in 2014. The decrease was primarily due to decrease in the total delivered GFA from approximately 2,596,476 sq.m. in 2014 to approximately 1,132,290 sq.m. in 2015.

Since November 2014, processing and filing of the sale and purchase agreements for unsold units of some property projects of the Group in Shenzhen were blocked (the "**Blockage**") and a number of unsold units in those projects were subject to freezing order imposed by local courts in the PRC (the "**Seizure**"). All Seizure and the Blockage were lifted by July 2016.

Rental income

Rental income decreased by approximately RMB1.9 million, or 0.8%, to approximately RMB232.2 million in 2015 from approximately RMB234.1 million in 2014.

Property management

Revenue from property management services decreased by approximately RMB3.4 million, or 1.5%, to approximately RMB224.1 million in 2015 from approximately RMB227.5 million in 2014.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB1.2 million, or 1.8% to approximately RMB67.3 million in 2015 from approximately RMB66.1 million in 2014. This increase was mainly attributable to our business expansion in the Pearl River Delta.

Cinema, department store and cultural centre operations

Revenue from cinema, department stores and cultural centre operations increased by approximately RMB42.3 million, or 61.6%, to approximately RMB111.1 million in 2015 from approximately RMB68.8 million in 2014. The increase was primarily attributable to the business expansion in this segment in 2015.

Gross profit

As a result of the foregoing, the Group's gross profit decreased by approximately RMB2,527.5 million, or 88.0%, to approximately RMB343.4 million in 2015 from approximately RMB2,870.9 million in 2014. The Group's gross profit margin decreased to 3.1% in 2015 from 14.6% in 2014. The decrease in gross profit margin was primarily attributable to higher construction cost per sq.m. of property sales recognised in 2015 as compared to 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Other losses – net

The Group had net other losses of approximately RMB216.3 million in 2015, as compared to approximately RMB1,742.4 million in 2014. The Group's net other losses in 2015 mainly comprised government subsidy income of approximately RMB53.7 million, offset by write-down of completed properties held for sale and properties under development of approximately RMB240.3 million and other losses of approximately RMB27.8 million. The Group's net other losses in 2014 mainly comprised write-down of completed properties held for sale and properties under development of approximately RMB1,673.2 million and impairment loss on property and equipment and land use rights of approximately RMB164.5 million, offset by government subsidy income of RMB60.1 million.

Selling and marketing costs

The Group's selling and marketing costs decreased by approximately RMB239.1 million, or 29.9%, to approximately RMB559.4 million in 2015 from approximately RMB798.5 million in 2014. The decrease in selling and marketing costs was in line with the decrease in the Group's contracted sales for the year ended 31 December 2015.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB104.8 million, or 9.0%, to approximately RMB1,066.2 million in 2015 from approximately RMB1,171.0 million in 2014. The decrease was primarily attributable to the decrease in staff costs.

Changes in fair value of investment properties

The increase in fair value of the Group's investment properties was approximately RMB3,824.5 million in 2015 and approximately RMB3,626.8 million in 2014. The increase in fair value of the Group's investment properties in 2015 was in line with the prevailing market conditions of general increases in rental levels of comparable properties.

Changes in fair value of financial derivatives

The Group has entered forward foreign exchange contracts under into the 2012 ISDA Master Agreement with The Hongkong and Shanghai Banking Corporation Limited, as the swap counterparty, to manage the Group's foreign exchange rate risk arising from the issuance of the Senior Notes April 2013. The changes in fair value of financial derivatives in 2014 and 2015 reflected the changes in fair value of these financial derivatives. The loss on changes in fair value of the Group's financial derivatives of approximately RMB42.2 million in 2015 was mainly attributable to the depreciation of Renminbi against the U.S. dollar during the year.

Finance costs – net

The Group's net finance costs increased by approximately RMB1,355.7 million, or 180.6%, to approximately RMB2,106.4 million in 2015, from approximately RMB750.8 million in 2014. The increase was mainly due to the increase in net exchange loss by RMB989.1 million. The net exchange loss has mainly arisen from the U.S. dollar denominated offshore financing as a result of the depreciation of Renminbi against the U.S. dollar.

Income tax expenses

The Group's income tax expenses decreased by approximately RMB1,337.7 million, or approximately 48.4%, to approximately RMB1,428.2 million in 2015 from approximately RMB2,765.9 million in 2014. The decrease was primarily attributable to the decrease in operating profit in 2015.

Loss for the year and total comprehensive loss for the year

As a result of the foregoing, the Group's loss for the year and total comprehensive loss for the year amounted to approximately RMB1,254.5 million. (2014: approximately RMB1,300.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2015, the carrying amount of the Group's cash and bank deposits was approximately RMB3,309.4 million (31 December 2014: approximately RMB4,464.0 million), representing a decrease of 25.9% as compared to that as at 31 December 2014. Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as at 31 December 2015, certain of the Group's cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above guarantee deposits amounted to approximately RMB969.4 million as at 31 December 2015 (31 December 2014: approximately RMB1,078.3 million).

Convertible bonds

On 20 December 2010, the Company issued RMB1.5 billion US\$ settled 8% convertible bonds due 2015 (the "**Convertible Bonds**") for the purpose of financing the acquisition of new land bank in the PRC and the Group's real estate projects. The initial conversion price is HK\$2.82 per share. The conversion price was adjusted downward to HK\$2.64 per share following the payment of a final dividend in 2013. Based on the conversion price of HK\$2.64 and assuming full conversion of the Convertible Bonds at such conversion price, the Convertible Bonds would be convertible into 662,184,424 new ordinary Shares. The conversion rights attaching to the Convertible Bonds have not been exercised during the year ended 31 December 2015. The proceeds from the issue of the Convertible Bonds were applied in accordance with the specified uses previously disclosed in the Company's announcement dated 2 December 2010. In July 2016, the Convertible Bonds were exchanged into mandatorily exchangeable bonds. Details of mandatorily exchangeable bonds were set out in the Company's announcement dated 17 March 2016.

Senior Notes

Details of the senior notes of the Company as at 31 December 2015 are set out below:

(a) *Senior notes due 2017*

On 18 September 2012, the Company issued US\$250 million 12.875% senior notes due 2017 (the "**Senior Notes 2012**") for the purpose of funding the Group's property projects and refinancing the Group's indebtedness and for general corporate use.

(b) *Senior notes due 2020*

On 8 January 2013, the Company issued US\$500 million 10.25% senior notes due 2020 (the "**Senior Notes January 2013**") for the purpose of refinancing the Group's exchangeable term loan in the aggregate amount of US\$120 million and RMB2.0 billion US\$ settled 8.5% senior secured guaranteed bonds due 2014 and general corporate use.

(c) *Senior notes due 2018*

On 19 March 2013, the Company issued US\$550 million 8.875% senior notes due 2018 for the purpose of partially refinancing the Group's 13.5% senior notes due 2015 denominated in US\$, refinancing the Group's existing and new property projects (the "**Senior Notes March 2013**") and general corporate use. On 13 January 2014, the Company issued additional 8.875% senior notes due 2018 in the principal amount of US\$250 million (the "**Senior Notes January 2014**") for the purpose of funding the Group's existing and new property projects, refinancing the Group's indebtedness and general corporate use.

MANAGEMENT DISCUSSION AND ANALYSIS

(d) Senior notes due 2016

On 22 April 2013, the Company issued RMB1.8 billion 6.875% senior notes due 2016 (the “**Senior Notes April 2013**”) for the purpose of fully refinancing the Group’s Senior Notes 2010 and general corporate use.

(e) Senior notes due 2019

On 6 June 2014, the Company issued US\$400 million 9% senior notes due 2019 (the “**Senior Notes June 2014**”) for the purpose of funding the Group’s existing and new property projects, refinancing the Group’s indebtedness and general corporate use.

The Senior Notes 2012, the Senior Notes January 2013, the Senior Notes March 2013, the Senior Notes January 2014, the Senior Notes April 2013 and the Senior Notes June 2014 (collectively, the “**Existing Senior Notes**”) were exchanged into five new tranches of notes maturing 31 December 2019, 30 June 2020, 31 December 2020, 30 June 2021 and 31 December 2021 (the “**New Senior Notes**”) on July 2016. The New Senior Notes have terms substantially similar to the Existing Senior Notes.

Borrowings and charges on the Group’s assets

As at 31 December 2015, the Group had aggregate borrowings of approximately RMB72,118.2 million, of which approximately RMB33,713.0 million will be repayable within 1 year, approximately RMB37,186.0 million will be repayable between 2 and 5 years and approximately RMB1,219.2 million will be repayable over 5 years. As at 31 December 2015, the Group’s bank and other borrowings of approximately RMB45,796.6 million were secured by property and equipment, land use rights, investment properties, properties under development, completed properties held for sale and certain shares of the Group’s subsidiaries of the Group with total carrying values of approximately RMB56,613.5 million. As at 31 December 2015, the Existing Senior Notes and the Convertible bonds were secured by the share pledge of certain of the Company’s subsidiaries incorporated outside of the PRC, and joint and several guarantees given 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 2015, the Group had a leverage ratio (i.e. its net debts (total borrowings net of cash and cash equivalents, short-term bank deposits, restricted cash and long-term bank deposits) over total assets) of 53.9% (31 December 2014: 50.8%). The Group’s net current assets increased by 11.0 times from approximately RMB2,947.3 million as at 31 December 2014 to approximately RMB32,289.2 million as at 31 December 2015, and the current ratio increased to 1.4 times as at 31 December 2015 as compared to 1.0 times as at 31 December 2014.

Cost of borrowings

During the year ended 31 December 2015, the Group’s total cost of borrowings was approximately RMB7,347.6 million, representing an increase of approximately RMB1,613.1 million or 28.1% as compared to the corresponding period in 2014. The increase was primarily attributable to higher average debt balance during the year as compared to that in 2014.

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 2015, the Group had cash and bank balances denominated in US\$ of approximately RMB29.0 million, and in HK\$ of approximately RMB101.3 million and the Senior Notes 2012, the Senior Notes January 2013, the Senior Notes March 2013, the Senior Notes January 2014 and the Senior Notes June 2014 in US\$ with an aggregate outstanding principal amount of US\$1,950.0 million, and other offshore banking facilities denominated in US\$ and HK\$, of US\$159.5 million and HK\$919.8 million respectively, which are subject to foreign currency exposure.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

On 22 April 2013, in connection with the Senior Notes April 2013, the Company entered into an arrangement with an offshore bank to manage the Group's currency risk by using Renminbi-to-U.S. dollar currency swaps and converted borrowings of RMB1.8 billion to approximately US\$291.0 million through currency swap.

On 27 August 2014, in connection with the Senior Notes June 2014, the Company entered into an arrangement with an offshore bank to manage the Group's currency risk by using Hong Kong dollar-to-Renminbi currency swaps and converted borrowings of HK\$400 million to approximately RMB317.2 million through currency swap.

Financial guarantees

As at 31 December 2015, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to our customers amounting to approximately RMB15,105.9 million (31 December 2014: approximately RMB15,337.2 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, we would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but we 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.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2015. Apart from those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

Employees and remuneration policy

As at 31 December 2015, the Group had approximately 8,218 employees (31 December 2014: approximately 9,846 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2015 amounted to approximately RMB517.7 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 such share option scheme has been set out in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

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 3 to the consolidated financial statements of the Company.

PROJECT PORTFOLIO — SUMMARY

We have accumulated substantial experience in developing 96 projects. The map below shows the geographical coverage of our property development projects as at 31 December 2015.

THE PAN-BOHAI BAY RIM — SHENYANG, YINGKOU, ANSHAN, BENXI, PANJIN, HULUDAO, WEIFANG, QINGDAO, LIAOYANG, DANDONG, DALIAN

Shenyang Kaisa Center, Yingkou Dragon Bay, Yingkou Monarch Residence, Anshan Lake View Waldorf, Anshan Monarch Residence, Anshan Kaisa Plaza, Benxi Lake View Place, Panjin Kaisa Center, Huludao Suizhong Kaisa Dongdaihe, Weifang Kaisa Golden World, Qingdao Kaisa Lake View Place, Liaoyang Gongchangling Project, Dandong Kaisa Mansion No. 1, Dalian Kaisa Center, Dalian Kaisa Plaza

THE YANGTZE RIVER DELTA — JIANGYIN, CHANGZHOU, TAIZHOU, SHANGHAI, TAICANG, HANGZHOU, SUZHOU, NANJING

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 Garden, Shanghai Kaisa City Plaza, Shanghai Pudong Project, Shanghai Kaisa Monarch Residence, Taicang Lake View Waldorf, Hangzhou Jade Dragon Court, Hangzhou Kaisa Monarch Residence, Hangzhou Puyu Court, Suzhou Kaisa Plaza, Suzhou Kaisa Monarch Residence, Nanjing Kaisa City Plaza

THE WESTERN CHINA REGION — CHENGDU, NANCHONG, CHONGQING

Chengdu Kaisa Monarch Residence, Chengdu Lijing Harbour, Chengdu Modern Town, Chengdu Kaisa Mansion No. 8, Chengdu Kaisa City Plaza, Chengdu Kaisa Leading Town, Nanchong Kaisa Plaza, Nanchong Monarch Residence, Chongqing Kaisa Plaza, Chongqing Kaisa Bright Harbour

THE CENTRAL CHINA REGION — CHANGSHA, ZHUZHOU, WUHAN

Changsha Lake View Place, Changsha Kaisa Times Square, Changsha Meixi Lake Project, Zhuzhou Golden World, Wuhan Golden World, Wuhan Kaisa Mansion No.1

THE PEARL RIVER DELTA — SHENZHEN, GUANGZHOU, FOSHAN, HUIZHOU, DONGGUAN, ZHUHAI

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 Global Center, Shenzhen Metro City, Shenzhen Kaisa City Plaza, Shenzhen Kaisa Metropolitan Homeland, Shenzhen Dapeng Kaisa Peninsula Resort, Shenzhen Kaisa Yuefeng Garden, Shenzhen Yantian Project, Shenzhen Dapeng Xiasha Project, Shenzhen Kaisa Qianhai Plaza, Guangzhou Jinmao, Guangzhou Kaisa Plaza, Guangzhou Monarch Residence, Guangzhou Kaisa Mansion No. 1, Guangzhou Tongbao Project, Guangzhou Sky Mansion, Guangzhou Kaisa City Plaza, Foshan Shunde Kaisa Mocha Town, Foshan Shunde Kaisa Shangpin Garden, Foshan Shunde Kaisa Golden World, 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 Fenggang Project, Huizhou Kaisa Mansion No. 1, Huizhou Kaisa Center, Huizhou Yuan Zhou Project, Huizhou Riverbank New Town, Huizhou Huidong Yapojiao Project, Zhuhai Lake View Waldorf Garden, Zhuhai Golden World.



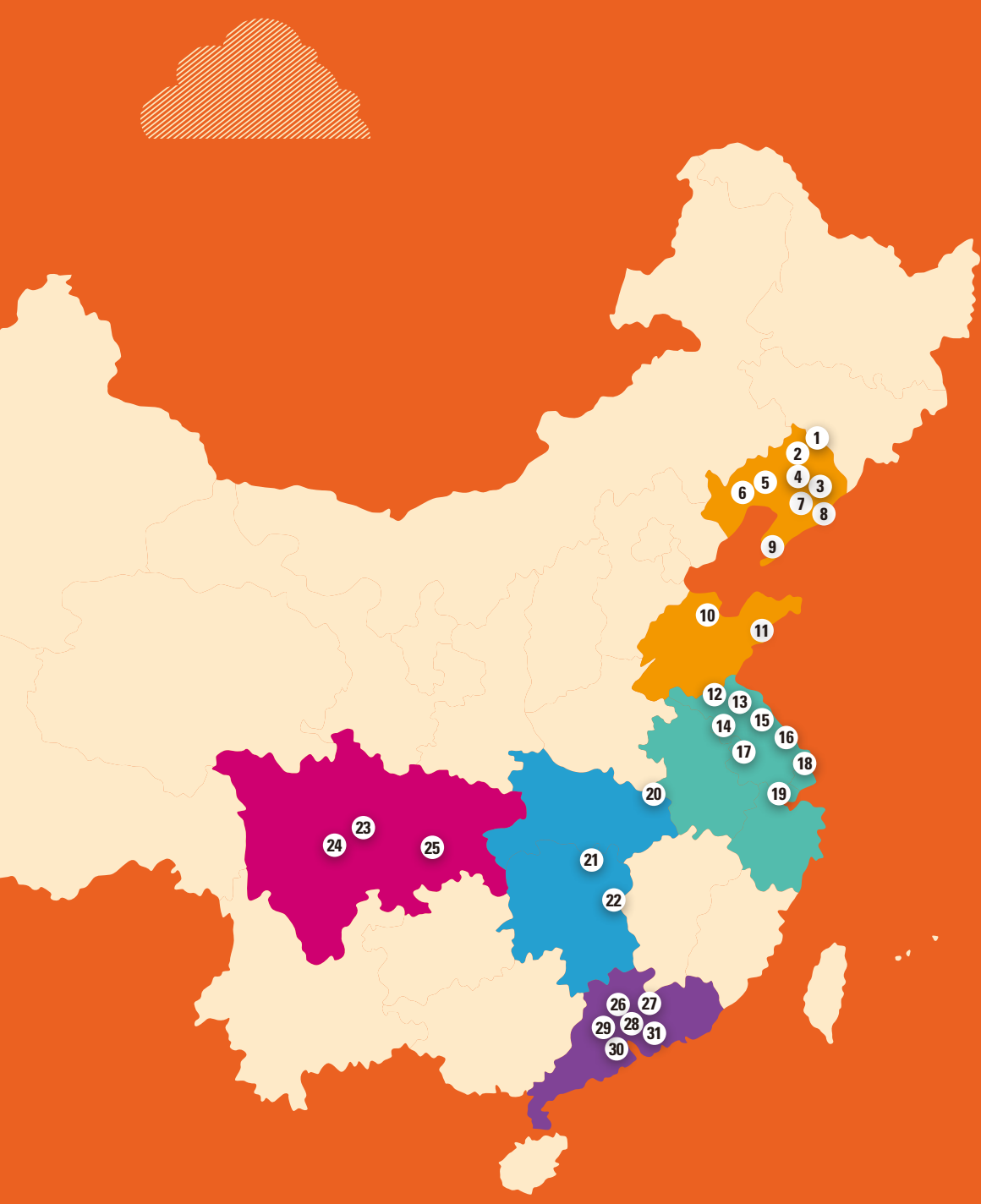
Total GFA of approximately
23.1 million sq.m.



| | |
|--------------------------|--------------|
| The Pearl River Delta | 39.3% |
| The Pan-Bohai Bay Rim | 29.8% |
| The Western China Region | 11.7% |
| The Central China Region | 10.6% |
| The Yangtze River Delta | 8.6% |



PROJECT PORTFOLIO – SUMMARY



CITIES WE ENTERED INTO BY 2015

- 1 SHENYANG
- 2 ANSHAN
- 3 BENXI
- 4 LIAOYANG
- 5 PANJIN
- 6 HULUDAO
- 7 YINGKOU
- 8 DANDONG
- 9 DALIAN
- 10 WEIFANG
- 11 QINGDAO
- 12 TAIZHOU
- 13 JIANGYIN
- 14 CHANGZHOU
- 15 TAICANG
- 16 SUZHOU
- 17 NANJING
- 18 SHANGHAI
- 19 HANGZHOU
- 20 WUHAN
- 21 CHANGSHA
- 22 ZHUZHOU
- 23 NANCHONG
- 24 CHENGDU
- 25 CHONGQING
- 26 GUANGZHOU
- 27 HUIZHOU
- 28 DONGGUAN
- 29 FOSHAN
- 30 ZHUHAI
- 31 SHENZHEN

PROJECT PORTFOLIO – SUMMARY

PROJECT PORTFOLIO – AS AT DECEMBER 31, 2015

| No. | Project | Address | Location | Type ⁽¹⁾ |
|---------------------------------|---|---|-----------|---------------------|
| The Pearl River Delta | | | | |
| 1 | Shenzhen Woodland Height ⁽⁸⁾ | 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⁾⁽⁶⁾ | East of Shangbu Nan Road and North of Nanyuan Road, Futian District | Shenzhen | Residential |
| 4 | Shenzhen Lake View Place | Junction of Xincheng Road and Pingxi Road, Longgang District | Shenzhen | Residential |
| 5 | Shenzhen Xiangrui Garden | North of Beihuan Highway, Nanshan District | Shenzhen | Residential |
| 6 | Shenzhen Mingcui Garden | Ping'an Avenue, Liang'an 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 Global Center ⁽⁸⁾ | Shennan Avenue, Futian District | Shenzhen | Commercial |
| 10 | Shenzhen Metro City ⁽²⁾ | Buji Station, Shenhui Road, Nanmendun, Buji Town, Longgang District | Shenzhen | Commercial |
| 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 Project ⁽⁸⁾ | Mingzhu Avenue, Yantian District | Shenzhen | Residential |
| 16 | Shenzhen Dapeng Xiasha Project ⁽³⁾ | Xiasha Community, Dapeng Street, Dapeng District | Shenzhen | Commercial |
| 17 | Shenzhen Kaisa Qianhai Plaza | Junction of Yueliangwan Avenue and Mianshan Road, Nanshan District | Shenzhen | Residential |
| 18 | Guangzhou Jinmao ⁽²⁾⁽⁷⁾ | No. 191 Tiyu West Road, Tianhe District | Guangzhou | Commercial |
| 19 | Guangzhou Kaisa Plaza | No. 78 Huangpu Avenue West, Zhujiang New Town, Tianhe District | Guangzhou | Commercial |
| 20 | Guangzhou Monarch Residence | No. 99 Jiangnan Avenue Central, Haizhu District | Guangzhou | Residential |
| 21 | Guangzhou Kaisa Mansion No. 1 | No.555 Huangpu Avenue, Financial Center, Tianhe District | Guangzhou | Residential |
| 22 | Guangzhou Tongbao Project | Tongbao Road, Guangzhou Avenue North, Baiyun District | Guangzhou | Residential |
| 23 | Guangzhou Shunde Kaisa Shangpin Garden | Lot No.20, Meihua Garden, Shatai Road, Baiyun District | Guangzhou | Residential |
| 24 | Guangzhou Kaisa City Plaza | Lot No. 49, Nangang, Yunpu Industrial Zone, Huangpu District | Guangzhou | Residential |
| 25 | Foshan Shunde Kaisa Mocha Town | Lot No.1, South of the Central District, Xingtian Town, Shunde District | Foshan | Residential |
| 26 | Foshan Shunde Kaisa Shangpin Garden | Linshang North Road, Beijiao New Town, Shunde District | Foshan | Residential |
| 27 | Foshan Shunde Kaisa Golden World | West of Waihuang Road, Ronggui Town, Shunde District | Foshan | Residential |
| 28 | Dongguan Zhongyang Haomen | Longsheng Road, Xincheng District, Shilong Town | Dongguan | Residential |
| 29 | Dongguan Dongjiang Haomen | South of Dongjiang Road, Yangwu Village and Qishi Village, Qishi Town | Dongguan | Residential |
| 30 | Dongguan Shui'an Haomen | Fengshen Avenue, Fenggang Town | Dongguan | Residential |
| 31 | Dongguan Dijingwan | Jinshawan Square, Xincheng District, Shilong Town | Dongguan | Residential |
| 32 | Dongguan Le Grand Bleu | Xinwei Village Group, Qisha Village, Shatian Town | Dongguan | Residential |
| 33 | Dongguan Oasis Town | Junction of Huancheng Road and Green Road, Xiping Community, Nancheng District | Dongguan | Residential |
| 34 | Dongguan Yulongshan Garden | Jinzhou Community, Humen Town | Dongguan | Residential |
| 35 | Dongguan Shilong Project ⁽³⁾ | Junction of Jiangnan Middle Road and Xihu No.1 Road, Xihu District, Shilong Town | Dongguan | Residential |
| 36 | Dongguan Fenggang Project ⁽³⁾ | Junction of Dongshe Road and Bihu Avenue, Fenggang Town | Dongguan | Residential |
| 37 | Huizhou Kaisa Mansion No. 1 | Gutang'ao Miaozhaikeng | Huizhou | Residential |
| 38 | Huizhou Kaisa Center ⁽⁸⁾⁽⁸⁾ | No. 18 Sub-district, Jiangbei, Huicheng District | Huizhou | Commercial |
| 39 | Huizhou Yuan Zhou Project ⁽⁴⁾ | Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County | Huizhou | Residential |
| 40 | Huizhou Riverbank New Town | Jiangnan Section, Cuimeiyuan Village Committee, Hengkeng, Luoyang Town, Boluo County | Huizhou | Residential |
| 41 | Huizhou Huidong Yapojiao Project | Huangbujiao, Lianfeng Village, Renshan Town, Huidong County | Huizhou | Residential |
| 42 | Zhuhai Lake View Waldorf Garden | Shangsha Street, Wanzai, Xiangzhou District | Zhuhai | Residential |
| 43 | Zhuhai Golden World | North of Huangyang Avenue, South of Wangbao Reservoir, Jintaisi, Doumen Town, Doumen District | Zhuhai | Residential |
| The Western China Region | | | | |
| 44 | Chengdu Kaisa Monarch Residence | Erjiangsi Village, Huayang Town, Shuangliu County | Chengdu | Residential |
| 45 | Chengdu Lijing Harbour | Group 1 and 2, Huafeng Village, Yongquan Street, Wenjiang District | Chengdu | Residential |
| 46 | Chengdu Modern Town | Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County | Chengdu | Commercial |
| 47 | Chengdu Kaisa Mansion No. 8 | Sanzhiqiu South Area, Dongsheng Street, Shuangliu County | Chengdu | Residential |
| 48 | Chengdu Kaisa City Plaza | Group 1 and 2, Machang Village, Wenjia Street Office, Qingyang District | Chengdu | Residential |
| 49 | Chengdu Kaisa Leading Town | Group 6 and 7, Taiji Community, Gongping Street Office, Wenjiang District | Chengdu | Residential |
| 50 | Nanchong Kaisa Plaza | No. 39, Zhengyang East Road, Shunqing District | Nanchong | Residential |
| 51 | Nanchong Monarch Residence | No. 308, Baituba Road, Shunqing District | Nanchong | Residential |
| 52 | Chongqing Kaisa Plaza | Longzhouwan Street, Banan District | Chongqing | Residential |
| 53 | Chongqing Kaisa Bright Harbour | Baqiao Town, Dadukou District | Chongqing | Residential |

PROJECT PORTFOLIO — SUMMARY

| Project phase | Site Area (sq. m.) | Total GFA (sq. m.) | Total GFA | | | Interest attributable to us |
|---------------|-----------------------|-----------------------|----------------------------------|-------------------------------|--------------------------------|--------------------------------|
| | | | Completed properties (sq. m.) | Under development (sq. m.) | Future development (sq. m.) | |
| 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% |
| — | 14,411 | 142,000 | — | — | 142,000 | 100% |
| — | 5,241 | 124,479 | 124,479 | — | — | 100% |
| 1-4 | 242,172 | 1,548,278 | 694,126 | 240,625 | 613,527 | 100% |
| — | 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 | 128,902 | 646,937 | 100,211 | — | 546,726 | 100% |
| 1-4 | 869,800 | 516,030 | — | — | 516,030 | 51% |
| 1-2 | 49,582 | 295,749 | 146,060 | — | 149,689 | 51% |
| — | 14,192 | 233,322 | 233,322 | — | — | 100% |
| — | 7,106 | 117,522 | 117,522 | — | — | 100% |
| — | 7,707 | 56,666 | 56,666 | — | — | 100% |
| — | 15,178 | 86,138 | — | 86,138 | — | 100% |
| 1-2 | 65,627 | 230,577 | — | — | 230,577 | 100% |
| — | 19,671 | 80,854 | — | 80,854 | — | 100% |
| 1-4 | 190,742 | 776,318 | — | 622,769 | 153,549 | 100% |
| 1-2 | 71,200 | 234,422 | 234,422 | — | — | 100% |
| — | 32,819 | 98,021 | 98,021 | — | — | 100% |
| 1-9 | 197,584 | 645,921 | 336,560 | 90,272 | 219,089 | 100% |
| 1-4 | 82,742 | 377,481 | 377,481 | — | — | 100% |
| 1-3 | 86,324 | 243,296 | 243,296 | — | — | 100% |
| 1-2 | 70,734 | 200,386 | 200,386 | — | — | 80% |
| — | 46,474 | 155,432 | 155,432 | — | — | 100% |
| 1-4 | 239,050 | 717,084 | — | 217,023 | 500,061 | 100% |
| — | 65,021 | 150,772 | 150,772 | — | — | 100% |
| — | 33,910 | 109,180 | — | 109,180 | — | 100% |
| — | 5,567 | 10,131 | — | — | 10,131 | 100% |
| — | 140,022 | 303,258 | — | — | 303,258 | 100% |
| — | 89,998 | 260,577 | — | 260,577 | — | 100% |
| 1-3 | 70,859 | 734,076 | 555,364 | 178,712 | — | 100% |
| — | 20,400 | 61,200 | — | — | 61,200 | 100% |
| 1-10 | 1,663,969 | 4,326,239 | 228,326 | 385,682 | 3,712,231 | 100% |
| 1-3 | 169,331 | 295,754 | — | — | 295,754 | 100% |
| 1-4 | 164,354 | 550,431 | 180,316 | — | 370,115 | 100% |
| 1-4 | 192,711 | 325,487 | 96,192 | 171,360 | 57,935 | 100% |
| 1-6 | 182,666 | 1,041,531 | 1,041,531 | — | — | 100% |
| 1-7 | 150,071 | 761,542 | 761,542 | — | — | 100% |
| 1-2 | 133,269 | 362,420 | 362,420 | — | — | 100% |
| 1-6 | 120,570 | 633,275 | 340,848 | — | 292,427 | 80% |
| 1-4 | 112,195 | 460,901 | — | 268,097 | 192,804 | 100% |
| 1-2 | 57,837 | 342,533 | — | 236,017 | 106,516 | 100% |
| — | 29,541 | 116,390 | 116,390 | — | — | 100% |
| 1-8 | 256,187 | 813,638 | 813,638 | — | — | 100% |
| 1-2 | 84,980 | 369,035 | 133,511 | 83,342 | 152,182 | 100% |
| 1-10 | 324,330 | 986,637 | — | 247,876 | 738,761 | 100% |

PROJECT PORTFOLIO – SUMMARY

| No. | Project | Address | Location | Type ⁽¹⁾ |
|---------------------------------|---|--|-----------|---------------------|
| The Pan-Bohai Bay Rim | | | | |
| 54 | Shenyang Kaisa Center ⁽⁸⁾ | East of Qingnian Avenue, Shenhe District | Shenyang | Commercial |
| 55 | Yingkou Dragon Bay | Junction of Xinxin Road and Bohai Street, Laobian District | Yingkou | Residential |
| 56 | Yingkou Monarch Residence | West of Xuefu Road, East of Shifu Road, South of New Donghai Street, Laobian District | Yingkou | Residential |
| 57 | Anshan Lake View Waldorf | Shengli Bei Road, Lishan District | Anshan | Residential |
| 58 | Anshan Monarch Residence ⁽³⁾ | South of Ziyu Dong Street, East of Anqian Road, Lishan District | Anshan | Residential |
| 59 | Anshan Kaisa Plaza ⁽²⁾⁽³⁾⁽⁶⁾ | Renmin Road, Tiexi District | Anshan | Commercial |
| 60 | Benxi Lake View Place | Binhe Bei Road, Mingshan District | Benxi | Residential |
| 61 | Panjin Kaisa Center | No. 1, Shifu Avenue, Xinglongtai District | Panjin | Residential |
| 62 | Huludao Suizhong Kaisa Dongdaihe ⁽³⁾ | South of Binhai Road, Dongdaihe New Zone, Suizhong County | Huludao | Residential |
| 63 | Weifang Kaisa Golden World | North of Bailanghe Reservoir Dam, South of Weijiao Road | Weifang | Residential |
| 64 | Qingdao Kaisa Lake View Place | East of Zhongjinger Road, West of Wangsha Road and South of Baishahe, Xiazhuang Street, Chengyang District | Qingdao | Residential |
| 65 | Dandong Kaisa Mansion No. 1 ⁽³⁾ | South of Huanghai Street, Zhenxing District | Dandong | Residential |
| 66 | Liaoyang Gongchangling Project | Tanghe Town, Gongchangling District | Liaoyang | Residential |
| 67 | Dalian Kaisa Center | Donggang Business District, Zhongshan District | Dalian | Commercial |
| 68 | Dalian Kaisa Plaza | No. 271, Tianjin Street, Zhongshan District | Dalian | Commercial |
| The Central China Region | | | | |
| 69 | Changsha Lake View Place | Jinping Village, Tiaoma County | Changsha | Residential |
| 70 | Changsha Kaisa Times Square | Yingpan Dong Road, Furong District | Changsha | Residential |
| 71 | Changsha Meixi Lake Project | Meixi Lake, Yueju District | Changsha | Residential |
| 72 | Zhuzhou Golden World | Liyu Central Business Area, Tianyuan District | Zhuzhou | Residential |
| 73 | Wuhan Golden World | Junction of Baisha Road and Qingling Dong Road, Qingling County, Hongshan District | Wuhan | Residential |
| 74 | Wuhan Kaisa Mansion No. 1 | North of Zhiyin Avenue and West of Yangcheng West Road, Hanyang District | Wuhan | Residential |
| The Yangtze River Delta | | | | |
| 75 | Jiangyin Lake View Place | South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Dong Road | Jiangyin | Residential |
| 76 | Jiangyin Gushan Mocha Town | South of Golden Gushan Garden and West of Xingfu Avenue, Gushan Town | Jiangyin | Residential |
| 77 | Jiangyin Kaisa Plaza ⁽⁸⁾ | No. 1091, Ren Min Dong Road | Jiangyin | Residential |
| 78 | Jiangyin Zhouzhuang Golden World | East of Zhouxi Dong Road, Zhouzhuang Town | Jiangyin | Residential |
| 79 | Jiangyin Changjing Lake View Waldorf | East of Xinglong Road, South of Dongshun Road, Changjing Town | Jiangyin | Residential |
| 80 | Jiangyin Tonghui Garden | South of Tongfu Road, West of Tongjiang Road, North of Tonghui Road | Jiangyin | Residential |
| 81 | Jiangyin Fuqiao Homeland | South of Binjiang Road, West of Tongdu Road, North of Chengxi Road | Jiangyin | Residential |
| 82 | Changzhou Phoenix Lake No. 1 | South of Qingyang Road, Xuejia Town, Xinbei District | Changzhou | Residential |
| 83 | Taizhou Kaisa Mansion No. 1 | West of No. 11 Road, North of Chenzhuang Road, Taizhou Economic Development Zone | Taizhou | Residential |
| 84 | Shanghai Shanhuwan Garden | No.4333 Alley, Haima Road, Haiwan Town, Fengxian District | Shanghai | Residential |
| 85 | Shanghai Shangpin Garden | Kangfeng North Road and Kangnian Road, Malu Town, Jiading District | Shanghai | Residential |
| 86 | Shanghai Kaisa Mansion No. 8 | No. 99 Alley, Juting Road, Zhuanghang Town, Fengxian District | Shanghai | Residential |
| 87 | Shanghai Kaisa City Plaza | Intersection of Chengliu Road and Shengzhu East Road, Xuhang Town, Jiading District | Shanghai | Residential |
| 88 | Shanghai Pudong Project | Intersection of Middle Yanggao Road and Minsheng Road, Pudong District | Shanghai | Commercial |
| 89 | Shanghai Kaisa Monarch Residence | Intersection of Fumao Road and Songjian Road, Chonggu Town, Qingpu District | Shanghai | Residential |
| 90 | Taicang Lake View Waldorf | No. 1 Jinan Road, Science-Enducation New Town | Taicang | Residential |
| 91 | Hangzhou Jade Dragon Court | North of Zhennan Road, Zhijiang Holiday Resort Area, Xihu District | Hangzhou | Residential |
| 92 | Hangzhou Kaisa Monarch Residence | West of Donghu Road and North of Shitang Road, Qiaosi Street, Yuhang District | Hangzhou | Residential |
| 93 | Hangzhou Puyu Court | Jingfeng Community, Wuchang Street, Yuhang District | Hangzhou | Residential |
| 94 | Suzhou Kaisa Plaza | South of Zhuyuan Road, West of Tayuan Road, Shishan Street, Gaoxin District | Suzhou | Residential |
| 95 | Suzhou Kaisa Monarch Residence | East of Sudai Road, South of Xingye Road, Huangqiao Street, Xiangcheng District | Suzhou | Residential |
| 96 | Nanjing Kaisa City Plaza ⁽³⁾ | Lot No.20-7, Hexinan Area, Jianye District | Nanjing | Residential |
| Total⁽⁵⁾ | | | | |

Notes:

- Residential properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities.
- The projects are renovation developments of once distressed assets and partially completed properties.
- Including
 - Shenzhen Dapeng Xiasha Project;
 - Dongguan Shilong Project;
 - Dongguan Fenggang Project;
 - a portion of land with a site area of 121,709 sq.m. for Anshan Monarch Residence;
 - a portion of land with a site area of 3,208 sq.m. for Anshan Kaisa Plaza;
 - a portion of land with a site area of 457,756 sq.m. for Huludao Suizhong Kaisa Dongdaihe;
 for which as at December 31, 2015, we have not obtained the land use rights certificates, but have entered into land grant contracts or obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale process.
- Based on our internal project plans but subject to the governmental approval.
- Including completed properties sold.
- Including certain commercial spaces held for investment. Such commercial spaces are held either under long term lease (for Shenzhen Woodland Height, with GFA of approximately 4,959 sq.m.) or medium term lease (for Shenzhen Woodland Height, Shenzhen Kaisa Center, Phase 1 of Huizhou Kaisa Center and a portion of Anshan Kaisa Plaza, with GFA attributable to the Group of approximately 7,927 sq.m., 19,170 sq.m., 12,008 sq.m. and 34,113 sq.m., respectively).
- Including certain commercial spaces and car parks held for investment under medium term lease, with an aggregate GFA of approximately 43,503 sq.m..
- Including certain office and commercial spaces held for investment. Such office and commercial spaces are held either under medium term lease (for Phase 2 of Huizhou Kaisa Center, Shenzhen Kaisa Global Center, Shenzhen Yantian Project, Jiangyin Kaisa Plaza and Shenyang Kaisa Center, with GFA of approximately 141,241 sq.m., 142,000 sq.m., 66,736 sq.m., 58,008 sq.m. and 113,219 sq.m., respectively).
- As of 31 December, 2015, completed properties held for sale had a total GFA of approximately 3,282,791 sq.m..

PROJECT PORTFOLIO — SUMMARY

| Project phase | Site Area (sq. m.) | Total GFA (sq. m.) | Total GFA | | | Interest attributable to us |
|---------------|-----------------------|-----------------------|----------------------------------|-------------------------------|--------------------------------|--------------------------------|
| | | | Completed properties (sq. m.) | Under development (sq. m.) | Future development (sq. m.) | |
| – | 21,423 | 292,331 | – | 292,331 | – | 100% |
| 1-2 | 220,669 | 593,302 | 333,391 | – | 259,911 | 100% |
| – | 71,922 | 233,745 | 233,745 | – | – | 100% |
| 1-2 | 257,090 | 390,325 | 206,590 | – | 183,735 | 100% |
| 1-2 | 129,739 | 389,216 | – | – | 389,216 | 100% |
| – | 11,238 | 80,284 | 72,264 | – | 8,020 | 100% |
| – | 122,200 | 323,120 | 253,271 | 69,849 | – | 100% |
| 1-2 | 52,812 | 355,786 | 170,716 | – | 185,070 | 100% |
| 1-4 | 1,269,571 | 1,976,565 | 47,581 | 914,084 | 1,014,900 | 100% |
| 1-4 | 128,018 | 131,112 | – | 131,112 | – | 100% |
| 1-3 | 229,864 | 393,353 | – | 267,868 | 125,485 | 100% |
| 1-4 | 133,340 | 331,542 | – | 124,945 | 206,596 | 100% |
| – | 372,427 | 256,975 | – | – | 256,975 | 100% |
| – | 26,610 | 156,239 | – | 156,239 | – | 100% |
| – | 15,955 | 78,454 | 78,454 | – | – | 100% |
| 1-4 | 673,536 | 938,203 | 938,203 | – | – | 100% |
| – | 21,770 | 108,731 | 108,731 | – | – | 100% |
| 1-3 | 147,067 | 444,314 | – | 184,334 | 259,980 | 100% |
| 1-3 | 222,182 | 597,728 | 597,728 | – | – | 100% |
| 1-3 | 181,493 | 605,941 | 605,941 | – | – | 100% |
| 1-2 | 40,351 | 156,136 | – | 156,136 | – | 100% |
| 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 | 220,546 | 220,546 | – | – | 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% |
| 1-3 | 192,505 | 327,303 | 73,408 | – | 253,895 | 51% |
| 1-4 | 104,796 | 140,151 | 140,151 | – | – | 100% |
| – | 23,307 | 84,448 | 84,448 | – | – | 100% |
| 1-2 | 143,053 | 201,885 | 116,474 | – | 85,411 | 100% |
| 1-3 | 117,255 | 331,724 | – | 331,724 | – | 100% |
| – | 11,088 | 49,896 | – | – | 49,896 | 100% |
| 1-2 | 90,642 | 212,240 | – | – | 212,240 | 100% |
| 1-3 | 87,741 | 201,346 | 201,346 | – | – | 100% |
| – | 39,376 | 98,041 | 98,041 | – | – | 100% |
| – | 36,595 | 100,849 | – | 100,849 | – | 100% |
| – | 74,779 | 207,476 | – | 207,476 | – | 100% |
| 1-2 | 33,234 | 123,216 | – | 72,448 | 50,768 | 100% |
| 1-2 | 59,629 | 197,069 | – | 197,069 | – | 100% |
| 1-3 | 109,832 | 415,986 | – | 115,073 | 300,913 | 100% |
| | 14,137,553 | 37,026,041 | 17,218,406 | 6,600,062 | 13,207,572 | |

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 2015. 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 City Plaza | Shenzhen | 2 | 240,625 | 182,398 |
| Guangzhou Kaisa Mansion No. 1 | Guangzhou | – | 86,138 | 37,852 |
| Guangzhou Sky Mansion | Guangzhou | – | 80,854 | 31,210 |
| Guangzhou Kaisa City Plaza | Guangzhou | 1 | 333,177 | 84,105 |
| Guangzhou Kaisa City Plaza | Guangzhou | 2 | 113,419 | 84,120 |
| Guangzhou Kaisa City Plaza | Guangzhou | 3 | 60,914 | 60,914 |
| Guangzhou Kaisa City Plaza | Guangzhou | 4 | 115,259 | 64,191 |
| Foshan Shunde Kaisa Golden World | Foshan | 8 | 90,272 | 89,211 |
| Dongguan Le Grand Bleu | Dongguan | 1 | 217,023 | 217,023 |
| Dongguan Yulongshan Garden | Dongguan | – | 109,180 | 109,180 |
| Huizhou Kaisa Mansion No. 1 | Huizhou | – | 260,577 | 221,490 |
| Huizhou Kaisa Center | Huizhou | 3 | 178,712 | 151,905 |
| Huizhou Riverbank New Town | Huizhou | 3 | 235,288 | 199,994 |
| Huizhou Riverbank New Town | Huizhou | 4 | 150,394 | 127,835 |
| Zhuhai Golden World | Zhuhai | 2 | 79,318 | 42,004 |
| Zhuhai Golden World | Zhuhai | 3 | 92,042 | 78,503 |
| Chengdu Kaisa City Plaza | Chengdu | 1 | 149,627 | 69,988 |
| Chengdu Kaisa City Plaza | Chengdu | 2 | 118,470 | 82,732 |
| Chengdu Kaisa Leading Town | Chengdu | 1 | 129,086 | 89,175 |
| Chengdu Kaisa Leading Town | Chengdu | 2 | 106,931 | 77,311 |
| Chongqing Kaisa Plaza | Chongqing | 2 | 83,342 | 82,188 |
| Chongqing Kaisa Bright Harbour | Chongqing | 1 | 159,499 | 106,023 |
| Chongqing Kaisa Bright Harbour | Chongqing | 2 | 88,377 | 78,201 |
| Shenyang Kaisa Center | Shenyang | – | 292,331 | 96,278 |
| Benxi Lake View Place | Benxi | – | 69,849 | 62,150 |
| Huludao Suizhong Kaisa Dongdaihe | Huludao | 1 | 633,596 | 482,917 |
| Huludao Suizhong Kaisa Dongdaihe | Huludao | 2 | 280,488 | 271,349 |
| Weifang Kaisa Golden World | Weifang | 1 | 27,922 | 15,855 |
| Weifang Kaisa Golden World | Weifang | 2 | 103,190 | 60,898 |
| Qingdao Kaisa Lake View Place | Qingdao | 1 | 179,701 | 134,155 |
| Qingdao Kaisa Lake View Place | Qingdao | 2 | 88,167 | 69,645 |
| Dandong Kaisa Mansion No. 1 | Dandong | 1 | 124,945 | 103,515 |
| Dalian Kaisa Center | Dalian | – | 156,239 | 118,619 |
| Changsha Meixi Lake Project | Changsha | 1 | 78,634 | 52,393 |
| Changsha Meixi Lake Project | Changsha | 2 | 105,700 | 89,347 |
| Wuhan Kaisa Mansion No.1 | Wuhan | 1 | 156,136 | 119,219 |
| Shanghai Kaisa City Plaza | Shanghai | 1 | 124,978 | 80,906 |
| Shanghai Kaisa City Plaza | Shanghai | 2 | 78,431 | 53,808 |
| Shanghai Kaisa City Plaza | Shanghai | 3 | 128,315 | 83,859 |
| Hangzhou Kaisa Monarch Residence | Hangzhou | – | 100,849 | 71,676 |
| Hangzhou Puyu Court | Hangzhou | – | 207,476 | 140,336 |
| Suzhou Kaisa Plaza | Suzhou | 1 | 72,448 | 57,227 |
| Suzhou Kaisa Monarch Residence | Suzhou | – | 197,069 | 167,509 |
| Nanjing Kaisa City Plaza | Nanjing | 1 | 115,073 | 68,456 |
| Total | | | 6,600,063 | 4,767,670 |

PROJECT PORTFOLIO — SUMMARY

| Commencement Time | Status of Pre-sale permit | Estimated Completion Time | Interest Attributable to us |
|-------------------|---------------------------|---------------------------|-----------------------------|
| July 2013 | Yes | 2016 4th quarter | 100% |
| January 2015 | Not yet obtained | 2019 3rd quarter | 100% |
| July 2014 | Yes | 2016 4th quarter | 100% |
| August 2014 | Yes | 2016 4th quarter | 100% |
| November 2015 | Not yet obtained | 2019 2nd quarter | 100% |
| November 2015 | Not yet obtained | 2019 3rd quarter | 100% |
| November 2015 | Not yet obtained | 2019 4th quarter | 100% |
| August 2011 | Not yet obtained | 2018 4th quarter | 100% |
| May 2014 | Yes | 2016 1st quarter | 100% |
| May 2014 | Yes | 2016 2nd quarter | 100% |
| April 2014 | Yes | 2016 2nd quarter | 100% |
| August 2013 | Yes | 2017 2nd quarter | 100% |
| October 2011 | Yes | 2016 3rd quarter | 100% |
| December 2013 | Yes | 2016 4th quarter | 100% |
| May 2012 | Not yet obtained | 2016 4th quarter | 100% |
| December 2012 | Not yet obtained | 2016 4th quarter | 100% |
| January 2014 | Yes | 2016 1st quarter | 100% |
| February 2014 | Not yet obtained | 2016 1st quarter | 100% |
| August 2014 | Yes | 2016 4th quarter | 100% |
| April 2015 | Yes | 2017 4th quarter | 100% |
| September 2013 | Yes | 2017 2nd quarter | 100% |
| August 2014 | Yes | 2016 4th quarter | 100% |
| May 2015 | Not yet obtained | 2017 2nd quarter | 100% |
| May 2012 | Yes | 2016 4th quarter | 100% |
| May 2012 | Yes | 2016 2nd quarter | 100% |
| October 2011 | Yes | 2016 4th quarter | 100% |
| August 2013 | Yes | 2017 4th quarter | 100% |
| November 2012 | Yes | 2016 4th quarter | 100% |
| December 2012 | Not yet obtained | 2017 4th quarter | 100% |
| May 2013 | Yes | 2016 3rd quarter | 100% |
| May 2014 | Yes | 2017 4th quarter | 100% |
| September 2013 | Yes | 2016 2nd quarter | 100% |
| September 2013 | Yes | 2015 3rd quarter | 100% |
| May 2015 | Yes | 2017 4th quarter | 100% |
| November 2015 | Not yet obtained | 2017 4th quarter | 100% |
| November 2014 | Yes | 2017 4th quarter | 100% |
| November 2013 | Yes | 2016 1st quarter | 100% |
| December 2013 | Yes | 2017 4th quarter | 100% |
| March 2014 | Yes | 2017 4th quarter | 100% |
| April 2014 | Yes | 2016 2nd quarter | 100% |
| May 2014 | Yes | 2017 2nd quarter | 100% |
| August 2014 | Yes | 2017 4th quarter | 100% |
| November 2014 | Yes | 2017 4th quarter | 100% |
| October 2014 | Yes | 2017 1st quarter | 100% |

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 2015.

| Project |
|----------------------------------|
| Shenzhen Kaisa Global Center |
| Shenzhen Kaisa City Plaza |
| Shenzhen Yantian Project |
| Shenzhen Dapeng Xiasha Project |
| Shenzhen Kaisa Qianhai Plaza |
| Guangzhou Tongbao Project |
| Guangzhou Kaisa City Plaza |
| Foshan Shunde Kaisa Golden World |
| Dongguan Le Grand Bleu |
| Dongguan Shilong Project |
| Dongguan Fenggang Project |
| Huizhou Yuan Zhou Project |
| Huizhou Riverbank New Town |
| Huizhou Huidong Yapojiao Project |
| Zhuhai Lake View Waldorf Garden |
| Zhuhai Golden World |
| Chengdu Kaisa Mansion No.8 |
| Chengdu Kaisa City Plaza |
| Chengdu Kaisa Leading Town |
| Chongqing Kaisa Plaza |
| Chongqing Kaisa Bright Harbour |
| Yingkou Dragon Bay |
| Anshan Monarch Residence |
| Anshan Lake View Waldorf |
| Anshan Kaisa Plaza |
| Panjin Kaisa Center |
| Huludao Suizhong Kaisa Dongdaihe |
| Qingdao Kaisa Lake View Place |
| Dandong Kaisa Mansion No. 1 |
| Liaoyang Gongchangling Project |
| Changsha Meixi Lake Project |
| Taizhou Kaisa Mansion No. 1 |
| Shanghai Kaisa Mansion No. 8 |
| Shanghai Kaisa Monarch Residence |
| Shanghai Pudong Project |
| Suzhou Kaisa Plaza |
| Nanjing Kaisa City Plaza |
| 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 | — | 142,000 | 2020 |
| Shenzhen | 3 | 613,527 | 2020 |
| Shenzhen | 1–3 | 546,726 | 2019 |
| Shenzhen | 1–4 | 516,030 | 2019 |
| Shenzhen | 2 | 149,689 | 2018 |
| Guangzhou | — | 230,577 | 2019 |
| Guangzhou | 1(3) | 153,549 | 2017 |
| Foshan | 6–9 | 219,089 | 2017 |
| Dongguan | 2–4 | 500,061 | 2016 |
| Dongguan | — | 10,131 | 2018 |
| Dongguan | — | 303,258 | 2020 |
| Huizhou | — | 61,200 | 2018 |
| Huizhou | 5–10 | 3,712,231 | 2017 |
| Huizhou | 1–3 | 295,754 | 2017 |
| Zhuhai | 2–3 | 370,115 | 2018 |
| Zhuhai | 3–4 | 57,935 | 2017 |
| Chengdu | 4–6 | 292,427 | 2018 |
| Chengdu | 3–4 | 192,804 | 2018 |
| Chengdu | 2(2) | 106,516 | 2017 |
| Chongqing | 2 | 152,182 | 2017 |
| Chongqing | 3–10 | 738,761 | 2018 |
| Yingkou | 2 | 259,911 | 2020 |
| Anshan | 1–2 | 389,216 | 2018 |
| Anshan | 2 | 183,735 | 2020 |
| Anshan | — | 8,020 | 2016 |
| Panjin | 2 | 185,070 | 2018 |
| Huludao | 2–4 | 1,014,900 | 2018 |
| Qingdao | 3 | 125,485 | 2019 |
| Dandong | 2–3 | 206,596 | 2018 |
| Liaoyang | — | 256,975 | 2019 |
| Changsha | 1–2 | 259,980 | 2017 |
| Taizhou | 2–3 | 253,895 | 2017 |
| Shanghai | 2 | 85,411 | 2017 |
| Shanghai | 1–2 | 212,240 | 2018 |
| Shanghai | — | 49,896 | 2017 |
| Suzhou | 1–2 | 50,768 | 2016 |
| Nanjing | 2–3 | 300,913 | 2018 |
| | | 13,207,572 | |

PROJECT PORTFOLIO – THE PEARL RIVER DELTA

SHENZHEN

SHENZHEN KAISA CITY PLAZA (深圳佳兆業城市廣場)

Shenzhen Kaisa City Plaza is an urban redevelopment project and is located at Banxuegang Avenue, Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 242,172 sq.m. with a total GFA of approximately 1,548,278 sq.m. The project has currently obtained the final approval from the relevant departments of Shenzhen Government and can be used for commercial and residential purposes. This project is expected to be a large-scale integrated residential, commercial and hotel project, with a kindergarten, a nine-year integrated curriculum school and other ancillary facilities. The project is divided into four phases and is expected to comprise 29 high-rise buildings.



SHENZHEN KAISA YUEFENG GARDEN (深圳佳兆業悦峰花園)

Shenzhen Kaisa Yuefeng Garden is located at Bulong Road, Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 47,890 sq.m. with a total GFA of approximately 165,455 sq.m.. This project is expected to be a residential complex and is divided into two phases.



PROJECT PORTFOLIO – THE PEARL RIVER DELTA

SHENZHEN KAISA GLOBAL CENTER (深圳佳兆業環球中心)

Shenzhen Kaisa Global Center is located at Shennan Avenue in Futian District, Shenzhen. Shenzhen Science and Technology Museum Station of Shenzhen Metro Line No. 1, Shenzhen Ping'an Bank Building and Shenzhen New City Plaza are in the vicinity of this project. Shenzhen Kaisa Global Center occupies an aggregate site area of approximately 14,411 sq.m. with a total GFA of approximately 142,000 sq.m.. Shenzhen Kaisa Global Center is expected to comprise one highrise office building with hotel, retail space and public car parking spaces.

SHENZHEN KAISA QIANHAI PLAZA (深圳佳兆業前海廣場)

Shenzhen Kaisa Qianhai Plaza is located at the junction of Yueliangwan Main Road and Mianshan Road in Nanshan District. This project is adjacent to Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (前海深港現代服務業合作區), occupying an aggregate site area of 49,582 sq.m. with a total GFA of approximately 295,749 sq.m.. Shenzhen Kaisa Qianhai Plaza comprises six high-rise buildings and is divided into two phases.



PROJECT PORTFOLIO – THE PEARL RIVER DELTA

SHENZHEN DAPENG XIASHA PROJECT (深圳大鵬下沙項目)

Shenzhen Dapeng Xiasha Project is located at Xiasha Community, Dapeng Street, Dapeng New Town. This project occupies an aggregate site area of 869,800 sq.m. with a total GFA of approximately 516,030 sq.m. Dapeng Xiasha Project is for comprehensive use and expected to be developed as a coastal eco-tourism resort comprising commercial streets, tourism and cultural attractions, hotel and business apartments. This project is divided into four phases.



HUIZHOU

HUIZHOU KAISA CENTER (惠州佳兆業中心)

Huizhou Kaisa Center is located in Jiangbei Community, Huicheng District, Huizhou. Huizhou Municipal Government Building, Huizhou Light Rail No. 1 and Huizhou-Dongguan Intercity Light Rail are in the vicinity. This project occupies an aggregate site area of approximately 70,859 sq.m. with a total GFA of approximately 734,076 sq.m.. Huizhou Kaisa Center is expected to be a residential-commercial integrated project which comprises 2 high-rise residential buildings, one office building with a hotel and complementary commercial properties. The project is divided into three phases.



PROJECT PORTFOLIO – THE PEARL RIVER DELTA

HUIZHOU RIVERBANK NEW TOWN (惠州東江新城)

Huizhou Riverbank New Town is located in Boluo County, Huizhou and adjacent to Binjiang Park. This project occupies an aggregate site area of approximately 1,663,969 sq.m. with a total GFA of approximately 4,326,239 sq.m.. This project is expected to be a residential-commercial integrated project, mainly comprising villas, townhouses, multi-level and high-rise residential, hotel and commercial ancillary properties. The project is expected to be divided into 10 phases.



GUANGZHOU

GUANGZHOU KAISA MANSION NO. 1 (廣州佳兆業壹號)

Guangzhou Kaisa Mansion No.1 is located at the intersection of Huangpu Avenue and Chebei Road, Chebei Nan Station of Guangzhou Metro Line No. 5, within the scope of the planned Guangzhou International Financial Town, in Tianhe District in Guangzhou. The project occupies an aggregate site area of approximately 15,178 sq.m. with a total GFA of approximately 86,138 sq.m..



PROJECT PORTFOLIO – THE PEARL RIVER DELTA

GUANGZHOU TONGBAO PROJECT (廣州同寶項目)

Guangzhou Tongbao Project is located at Tongbao Road, North of Guangzhou Avenue, Baiyun District in Guangzhou, with Tonghe Station of Guangzhou Metro Line No. 3 in the vicinity. The project occupies an aggregate site area of approximately 65,627 sq.m. with a total GFA of approximately 230,577 sq.m., of which 70,155 sq.m. is for social housing and healthcare establishments. This project will be developed into residential products with saleable GFA of approximately 72,966 sq.m.. This project is expected to comprise highrise residential buildings and villas with supplementary commercial space.

GUANGZHOU KAISA SKY MANSION (廣州佳兆業天御)

Guangzhou Kaisa Sky Mansion is located at Shatai Road, Baiyun District in Guangzhou, with Meihuayuan Station of Guangzhou Metro Line No. 3 in the vicinity. The project occupies a site area of approximately 19,671 sq.m., with a total GFA of approximately 80,854 sq.m., of which 20,586 sq.m. is for development of social housing. The project will be developed into residential products with saleable GFA of approximately 31,210 sq.m.. The project is expected to comprise three high-rise residential buildings with a clubhouse.



PROJECT PORTFOLIO – THE PEARL RIVER DELTA

GUANGZHOU KAISA CITY PLAZA (廣州佳兆業城市廣場)

Guangzhou Kaisa City Plaza is located at Nangang, Yunpu Industrial Zone, Huangpu District in Guangzhou. The project occupies a site area of approximately 190,742 sq.m., with a total GFA of approximately 776,318 sq.m., of which 157,800 sq.m. is for development of social housing. The project will be developed into residential and commercial integrated project with saleable GFA of approximately 425,831 sq.m. and it is divided into four phases.



ZHUHAI

ZHUHAI LAKE VIEW WALDORF GARDEN (珠海水岸華都花園)

Zuhai Lake View Waldorf Garden is located at Shangsha Street, Wanzai, Xiangzhou District, Zuhai, which is very close to the Customs of Wanzai, Zuhai and Macau. This project occupies an aggregate site area of approximately 164,354 sq.m. with a total GFA of approximately 550,431 sq.m.. This project is expected to be a residential complex comprising buildings and ancillary facilities, and is divided into four phases.



PROJECT PORTFOLIO – THE WESTERN CHINA REGION

CHONGQING

CHONGQING KAISA PLAZA (重慶佳兆業廣場)

Chongqing Kaisa Plaza is located at Longzhouwan Street, Banan District, Chongqing. The project occupies an aggregate site area of approximately 84,980 sq.m. with a total GFA of approximately 369,035 sq.m.. This project is expected to be divided into two phases and composed of residential, commercial streets, office buildings and LOFT offices. It will be developed as to an urban complex.



CHONGQING KAISA BRIGHT HARBOUR (重慶佳兆業濱江新城)

Chongqing Kaisa Bright Harbour is located at Liujiaba, Dadukou District, Chongqing. The project occupies an aggregate site area of approximately 324,330 sq.m. with a total GFA of approximately 986,637 sq.m.. This project is expected to be divided into ten phases and composed of high-rise residential, houses, commercial streets, educational institutions as well as research and development oriented industrial office building.



PROJECT PORTFOLIO — THE WESTERN CHINA REGION

CHENGDU

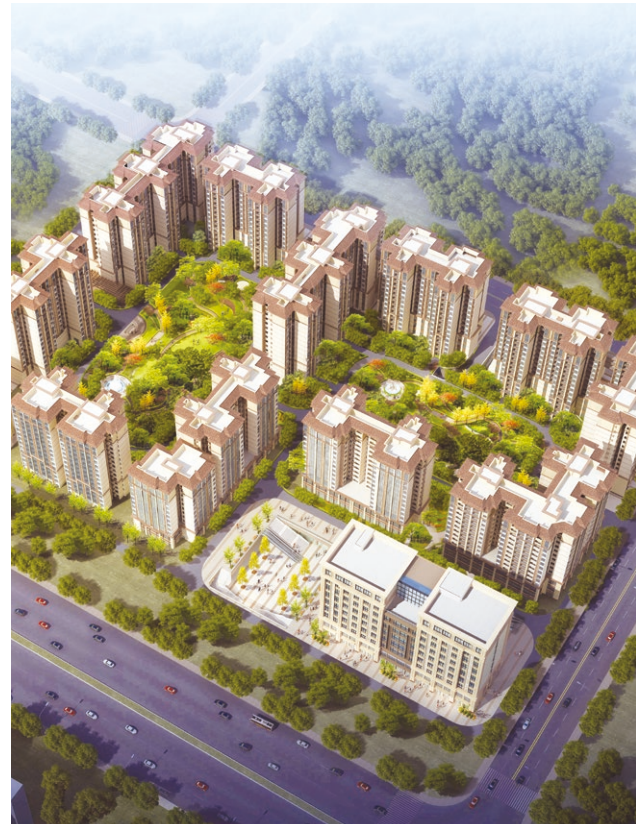
CHENGDU KAISA MANSION NO. 8 (成都佳兆業8號)

Chengdu Kaisa Mansion No.8 is located at Dongsheng Street, Shuangliu County, Chengdu. The project occupies an aggregate site area of approximately 120,570 sq.m. with a total GFA of approximately 633,275 sq.m.. This residential project is expected to be divided into six phases.



CHENGDU KAISA CITY PLAZA (成都佳兆業城市廣場)

Chengdu Kaisa City Plaza is located at Wenjia Street, Qingyang District in Chengdu. This project occupies an aggregate site area of approximately 112,195 sq.m. with a total GFA of approximately 460,901 sq.m.. This project will be developed into residential complex and is divided into four phases.



PROJECT PORTFOLIO — THE PAN-BOHAI BAY RIM

SHENYANG

SHENYANG KAISA CENTER (瀋陽佳兆業中心)

Shenyang Kaisa Center is located in Qingnian Avenue, Shenhe District, Shenyang, which is at the core of Jinlang Commercial Circle. This project occupies an aggregate site area of approximately 21,423 sq.m. with a total GFA of approximately 292,331 sq.m.. This project is expected to be a residential-commercial project which comprises two residential buildings, one office building and commercial properties.



DALIAN

DALIAN KAISA CENTER (大連佳兆業中心)

Dalian Kaisa Center is located at Donggang Business District, Zhongshan District, Dalian. The project occupies an aggregate site area of approximately 26,610 sq.m. with a total GFA of approximately 156,239 sq.m.. The commercial project is in the vicinity of metro station in Dalian's CBD.



PROJECT PORTFOLIO — THE PAN-BOHAI BAY RIM

QINGDAO

QINGDAO KAISA LAKE VIEW PLACE
 (青島佳兆業水岸新都)

Qingdao Kaisa Lake View Place is located at East of Zhongjing'er Road, Xiazhuang Street, Chengyang District in Qingdao. The project occupies an aggregate site area of approximately 229,864 sq.m. with a total GFA of approximately 393,353 sq.m.. This project is expected to be a residential complex with supplementary commercial space and is divided into three phases.



HULUDAO

HULUDAO SUIZHONG KAISA DONGDAIHE
 (葫蘆島綏中佳兆業東戴河)

Huludao Suizhong Kaisa Dongdaihe is located at Binhai Economic Zone, Suizhong County, Huludao connecting the major routes between northern and northeast China and is in the vicinity of the scenic region of Shanhaiguan and occupies a quality coastline of 4 km that enjoys a splendid natural environment. This project occupies an aggregate site area of approximately 1,269,571 sq.m. with an expected total GFA of approximately 1,976,565 sq.m.. This project is expected to be a large scale residential-commercial complex and is divided into four phases.



PROJECT PORTFOLIO – THE PAN-BOHAI BAY RIM

DANDONG

DANDONG KAISA MANSION NO. 1 (丹東佳兆業壹號)

Dandong Kaisa Mansion No. 1 is located at Huanghai Street, Zhenxing District, Dandong. This project occupies an aggregate site area of approximately 133,340 sq.m. with a total GFA of approximately 331,541 sq.m.. This project is expected to be a residential project with commercial space and is divided into four phases.



PROJECT PORTFOLIO – THE CENTRAL CHINA REGION

WUHAN

WUHAN GOLDEN WORLD (武漢金域天下)

Wuhan Golden World is located at the junction of Baisha Road and Qingling East Road, Qingling County, Hongshan District, Wuhan. This project occupies an aggregate site area of approximately 181,493 sq.m. with a total GFA of approximately 605,941 sq.m.. This project is expected to be a residential complex and is divided into three phases.



WUHAN KAISA MANSION NO. 1 (武漢佳兆業壹號花園)

Wuhan Kaisa Mansion No. 1 is located at North of Zhiying Avenue and West of Yangcheng West Road, Hanyang District, Wuhan. The project occupies an aggregate site area of approximately 40,351 sq.m. with planned GFA of approximately 156,136 sq.m., of which the GFA of approximately 7,645 sq.m. will be developed into social housing. This project will be developed into residential products with saleable GFA of approximately 119,219 sq.m. and is divided into two phases.



PROJECT PORTFOLIO – THE CENTRAL CHINA REGION

CHANGSHA

CHANGSHA KAISA TIMES SQUARE (長沙佳兆業時代廣場)

Changsha Kaisa Times Square is located at Yingpan Road, Furong District in Changsha. The project occupies an aggregate site area of approximately 21,770 sq.m. with a total GFA of approximately 108,731 sq.m.. This project will be developed into a residential project with commercial space.

CHANGSHA MEIXI LAKE PROJECT (長沙梅溪湖項目)

Changsha Meixi Lake Project is located at Meixi Lake, Yuelu District, Changsha. This project occupies an aggregate site area of approximately 147,067 sq.m. with a total GFA of approximately 444,314 sq.m.. This project will be developed into residential products and will be developed in three phases.



PROJECT PORTFOLIO – THE YANGTZE RIVER DELTA

SHANGHAI

SHANGHAI SHANGPIN GARDEN (上海尚品雅苑)

Shanghai Shangpin Garden is located at Malu Town, Jiading District in Shanghai. The project occupies an aggregate site area of approximately 23,307 sq.m. with a total GFA of approximately 84,448 sq.m.. This project is expected to be a residential project.

SHANGHAI KAISA MANSION NO. 8 (上海佳兆業8號)

Shanghai Kaisa Mansion No. 8 is located at Juting Road, Zhuanghang Town, Fengxian District in Shanghai. The project occupies an aggregate site area of approximately 143,053 sq.m., with a total GFA of approximately 201,885 sq.m.. This project is expected to be a residential project and is divided into two phases.



PROJECT PORTFOLIO – THE YANGTZE RIVER DELTA

SHANGHAI KAISA CITY PLAZA (上海佳兆業城市廣場)

Shanghai Kaisa City Plaza is located at Xuhang Town, Jiading District, Shanghai. This project occupies an aggregate site area of approximately 117,255 sq.m. with a total GFA of approximately 331,724 sq.m. This project is expected to be a residential-commercial integrated project which comprises primarily residential buildings, office buildings, one hotel and commercial properties. The project is divided into three phases.

SHANGHAI PUDONG PROJECT (上海浦東項目)

Shanghai Pudong Project is located at the intersection of Minsheng Road and Middle of Yanggao Road, in Pudong New District, Shanghai. The project occupies an aggregate site area of approximately 11,088 sq.m. with a total GFA of approximately 49,896 sq.m.. This project is expected to be developed into a high-rise office building.



PROJECT PORTFOLIO – THE YANGTZE RIVER DELTA

HANGZHOU

HANGZHOU JADE DRAGON COURT (杭州玫瑰雅苑)

Hangzhou Jade Dragon Court is located at North of Zhennan Road, Zhijiang Holiday Resort Area in Hangzhou. This project occupies an aggregate site area of approximately 39,376 sq.m. with a total GFA of approximately 98,041 sq.m.. This project is expected to be a residential complex.



HANGZHOU KAISA MONARCH RESIDENCE (杭州佳兆業君滙上品)

Hangzhou Kaisa Monarch Residence is located at Donghu Road, Qiaosinan Station of Hangzhou Metro Line No. 1, in Yuhang District in Hangzhou. The project occupies an aggregate site area of approximately 36,595 sq.m. with planned GFA of approximately 100,849 sq.m.. The project is expected to be a residential complex.



PROJECT PORTFOLIO – THE YANGTZE RIVER DELTA

HANGZHOU PUYU COURT (杭州璞玉雅園)

Hangzhou Puyu Court is located at Jingfeng Community, Wuchang Street, Yuhang District, Hangzhou. The project occupies an aggregate site area of approximately 74,779 sq.m. with planned GFA of approximately 207,476 sq.m.. The project is expected to be a residential complex and is divided into two phases.



JIANGYIN

JIANGYIN KAISA PLAZA (江陰佳兆業廣場)

Jiangyin Kaisa Plaza is located at Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 158,240 sq.m. with a total GFA of approximately 553,177 sq.m. Jiangyin Kaisa Plaza is expected to be a commercial-residential project comprising apartments, office buildings and a hotel. The project is expected to be divided into three phases.



PROJECT PORTFOLIO – THE YANGTZE RIVER DELTA

NANJING

NANJING KAISA CITY PLAZA
 (南京佳兆業城市廣場)

Nanjing Kaisa City Plaza is located at Hexinan Area in Jianye District. This project occupies an aggregate site area of 109,832 sq.m. with a total GFA of approximately 415,986 sq.m.. This project is expected to be a residential complex and is divided into three phases.

SUZHOU

SUZHOU KAISA PLAZA
 (蘇州佳兆業廣場)

Suzhou Kaisa Plaza is located at South of Zhuyuan Road, West of Tayuan Road, Shishan Street in Gaoxin District. This project occupies an aggregate site area of 33,234 sq.m. with a total GFA of approximately 123,216 sq.m.. This project is expected to be a residential complex and is divided into two phases.



PROJECT PORTFOLIO – THE YANGTZE RIVER DELTA

SUZHOU KAISA MONARCH RESIDENCE (蘇州佳兆業君滙上品)

Suzhou Kaisa Monarch Residence is located at East of Sudai Road, South of Xingye Road, Huangqiao Street in Xiangcheng District. This project occupies an aggregate site area of 59,629 sq.m. with a total GFA of approximately 197,069 sq.m.. This project is expected to be a residential complex and is divided into two phases.



DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As at the date of this report, the board of directors (the “**Board**”) of the Company consists of eight 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 table below sets forth certain information regarding the Directors:

| Name | Age | Position |
|-----------------|-----|---|
| KWOK Ying Shing | 52 | Chairman and Executive Director (resigned on 31 December 2014 and re-appointed on 13 April 2015) |
| SUN Yuenan | 53 | Vice Chairman and Executive Director |
| ZHENG Yi | 36 | Executive Director (appointed on 13 April 2015) and Chief Executive Officer (appointed on 11 June 2015) |
| YU Jianqing | 51 | Executive Director |
| CHEN Shaohuan | 51 | Non-Executive Director |
| ZHANG Yizhao | 46 | Independent Non-Executive Director |
| RAO Yong | 57 | Independent Non-Executive Director |
| LIU Xuesheng | 53 | Independent Non-Executive Director |

Chairman and Executive Director

KWOK Ying Shing (郭英成), aged 52, 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 on 31 December 2014 and was re-appointed as the Chairman and an executive Director on 13 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. He is the brother of Mr. Kwok Ying Chi, a former Director and Mr. Kwok Chun Wai.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

SUN Yuenan (孫越南), aged 53, is an executive Director and 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 Shenzhen Kaisa Property and has held various positions within the Group, including senior vice president of the Group, deputy general manager of Shenzhen Kaisa Property and general manager of Guangzhou Jinmao Property. 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 36, is an executive Director and the Chief Executive Officer 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 Kaisa 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 Kaisa, 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.

YU Jianqing (喻建清), aged 51, is an executive Director and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Yu is primarily responsible for operation management. He graduated from Hengyang Institute of Technology (now known as University of South China) with a bachelor's degree in industrial and civil construction in July 1985, and obtained his MBA degree from The University of Northern Virginia in the United States in October 2006. Mr. Yu is in charge of the general management of Real Estate Group, Innovation Institute, Property Management Group and Technology Group. Mr. Yu joined Kaisa in March 2002 and has served as Chief Engineer of Kaisa Real Estate (Shenzhen), Vice General Manager of Kaisa Real Estate (Guangzhou), General Manager of Kaisa Real Estate (Chengdu), Senior Vice President, Operations President and Co-President among other positions. From March 2002 to October 2008, Mr. Yu served as the general manager of Guangzhou Branch, the general manager of Chengdu Branch and various other positions of the Group. From October 2008 to October 2011, Mr. Yu served as the president of Dongguan Huijing Group, a company which is principally engaged in property development and was mainly responsible for its overall operation management. From February 2012 to January 2013, Mr. Yu served as the president of Shenzhen Furui Group, a company which is principally engaged in property development and was mainly responsible for its overall operation management. Mr. Yu re-joined the Group as the general manager of the Beijing Branch of the Group in January 2013 and was promoted as the senior vice president of the Group in April 2013.

DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

CHEN Shaohuan (陳少環), aged 51, 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.

Independent Non-Executive Directors

ZHANG Yizhao (張儀昭), age 46, 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, the Nomination Committee and the Independent 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 57, 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, the Nomination Committee and the Independent 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 53, 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), Huaifu 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 MAI Fan, HABIBULLAH Abdul Rahman, XING Tao, HUANG Qin, LUO Jun, SONG Wei and WONG Kwok Kwan. The table below sets forth certain information regarding the senior management members:

| Name | Age | Position |
|-------------------------|-----|--|
| MAI Fan | 38 | Co-president (appointed in 19 September 2016) |
| HABIBULLAH Abdul Rahman | 53 | Chief Financial Officer and Company Secretary (appointed on 24 May 2016) |
| XING Tao | 52 | Executive Vice President |
| HUANG Qin | 47 | Senior Vice President (appointed on 16 February 2016) |
| LUO Jun | 36 | Vice President (appointed on 8 October 2016) |
| SONG Wei | 32 | Vice President (appointed on 8 October 2016) |
| WONG Kwok Kwan | 42 | Vice President (appointed on 3 January 2017) |

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.

MAI Fan (麥帆), aged 38, is a Co-president of the Group. Mr. Mai is primarily responsible for financing, medical treatment, shipping, culture, football club business. Mr. Mai also shares his vision in Kaisa's strategy, fund, risk, human resources, administration, finance, tax, information, Internet+, brand and investor relations work. He joined Kaisa in August 2015, serving as the General Manager of the Group Office, the Deputy General Manager of the Group's Risk Management and Assistant President of the Group. Prior to joining us, Mr. Mai worked in the Shenzhen Municipal Highway Bureau and the Government of Futian District, Shenzhen. Mr. Mai graduated from the Department of Law of the Sun Yat-sen University in 2001.

HABIBULLAH Abdul Rahman (黃志強), aged 53, is Chief Financial Officer of the Group and the company secretary of the Company. He is primarily responsible for the corporate finance, tax and capital management. He has over 25 years' experience in accounting and finance fields. He received his Master in Business Administration from Henley Business School UK and his Master in Social Science from the Chinese University of Hong Kong. He is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in June 2015, he worked as an audit manager in an international accounting firm in Hong Kong and the chief financial officer and financial controller in various listed companies in Hong Kong.

XING Tao (邢濤), aged 52, is an Executive Vice President of the Group. Mr. Xing is primarily responsible for the R&D and design management work for the Group. Prior to joining the Group in April 2010, from September 2001 to May 2010, Mr. Xing was a vice president in Horoy Holdings Limited, a real estate company. From February 1992 to September 2001, Mr. Xing was a technical manager in Western Real Estate Company of Shenzhen Wabo Group. From July 1986 to February 1992, Mr. Xing was a construction supervisor in the Shenzhen branch of Design & Research Institute of Wuhan Iron & Steel Group. In 1986, Mr. Xing received a higher diploma in architecture from Jiangnan University.

HUANG Qin (黃琴), aged 47, is a Senior Vice President of the Group. She is primarily responsible for the Group's administration, human resources, investor and public relations. Ms. Huang joined the Group again as an assistant president of the Commercial Group in October 2013. She joined Kaisa in November 2004 and has served as General Manager and President of Kaisa Real Estate (Shanghai), Assistant President of the Commercial Group, Group Director and Group Vice President among other positions. Prior to joining Kaisa, Ms. Huang pursued her professional career in human resources management in Head Office of Suning Group, Zhonghai Real Estate (Shenzhen), Head Office of Vanke and Shenzhen Langju Industrial Group Co., Ltd. Ms. Huang graduated from Beijing Wuzi University in 1991 with a bachelor's degree in management.

LUO Jun (羅軍), aged 36, is a Vice President of the Group. Mr. Luo is primarily responsible for providing commerce, tourism, hotel and catering management. Prior to joining the Group in August 2007, Mr. Luo pursued his professional career in marketing plan in World Union Properties and Inland Real Estate Company (Shenzhen). Mr. Luo has received a bachelor's degree in accountancy from Nanjing University of Finance and Economics in 2003.

SONG Wei (宋偉), aged 32, 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 planning in Hubei Daily Media Group and Evergrande Real Estate Group. Mr. Song has achieved a bachelor's degree in Journalism & Communication from Hubei University in 2007.

WONG Kwok Kwan (黃國鈞), aged 42, is a Vice President of the Group, the Chairman of Kaisa Commercial Group and the President of Kaisa WeWa Space Ltd.. He is primarily responsible for the management of commerce and office asset, co-working and co-hiring businesses. Mr. Wong joined Kaisa in January 2017. Prior to joining the Group, Mr. Wong was responsible for management and professional work for many initial public offering transactions, financial valuations and consultancy service in Chesterton Petty and Savills. Mr. Wong graduated from Tsinghua University and the Chinese University of Hong Kong in 2010 with a Postgraduate Diploma in Finance and Master of Business Administration in Finance respectively. Mr. Wong is a PRC certified real estate appraiser and a Member of Royal Institution of Chartered Surveyors.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Kaisa Group shoulders its social responsibility as a corporate citizen to create a harmonious, happy and sustainable place for the people, and to create values for the society. Since its establishment, Kaisa has been persistently adhering to the notion of “quality is the cornerstone of an enterprise”, and developing with a principle centred around “customers’ value”, thereby bringing positive contributions to the city’s operation and the people’s livelihood. Further, Kaisa has taken up a role of encouraging, promoting and practicing charitable deeds and has shown its ongoing care and support to charity organisations in aspects of green development, environment, education, healthcare and sports and culture.

Despite the challenges and difficulties Kaisa encountered as a listed company in 2015, the Group had continued to proactively fulfill its social responsibilities in 2015. The Group has been persistent in undertaking its corporate responsibilities through concrete actions, covering aspect of green constructions, low-carbon and green practices, products and services, customer responsibilities, construction of affordable housings, charity activities and caring for staff members.

GREEN CONSTRUCTIONS

Facing the deteriorating global environment, the Group endeavors to foster sustainable development of construction industry by increasing production efficiency, lowering energy consumption in production, reducing environmental pollution and persistently improving its technological innovation. At present, the Group has explored the craftsmanship in respect of PC industrial technology in pre-assembly, processing finished goods and refining moulds, bringing about the assembly of parts including stairs, prefabricated shear walls, prefabricated plates, bay window and prefabricated windows. Of the production materials used by the Group, energy-saving and environment-friendly materials accounted for 75%. Energy consumption was effectively reduced through district sunshine planning, district ventilation planning and noise reduction designs. Meanwhile, having introduced the innovative use of aluminum alloy formworks in the construction of its several projects and recycling construction wastes including temporary roofs and windows, the Group has effectively reduced energy consumption.

Jiangyin Changjing Lake View Waldorf was rated a ‘2-star Green Building’. Changsha Kaisa Days Villa was named ‘2015 Annual Green Living Property’. Hangzhou Jade Dragon Court was named “The Most Livable Residential Property of High-quality”. Suizhong Kaisa Dongdaihe received the ‘Ecology Health Awards (生態健康金像獎)’. In future, the Group will continue to expand its input in technology research and remain committed to green technological innovation.

LOW-CARBON COMMUNITY

In recent years, the Group implemented emission reduction initiatives in its projects across the country, in which the Group has conducted transformation on 74 items of 17 property subsidiaries, including reducing energy consumption in garages, replacing 25,672 energy-saving lightbulbs and implementing centralized recycling of disposed energy-saving fixtures in a safe way. In future, the Group will pursue deployment of LED lighting fixtures in projects under its management. Preliminary estimates suggest that the LED replacement will realise approximately RMB2,158,000 in savings in electricity costs and reduce approximately 20.575 million tonnes of carbon dioxide emission annually.

Furthermore, the Group has carried out waste classification in its residential communities across the country and deployed rainwater collection systems for irrigation of greenery in the projects.

PRODUCTS AND SERVICES

Against a backdrop of soaring property prices in Shenzhen in 2015, Kaisa fulfilled its social responsibilities by honouring contracts at original prices with customers who had only made subscriptions but hadn’t signed the contracts in 2014, 715 units were involved, as compared to market prices, the Group had helped the buyers save nearly RMB1 billion. As quality plays a pivotal role in an enterprise’s development, the Group stepped up its efforts in enhancing quality of its products throughout the year. In addition to internal monitoring and control on product quality, the Group organised open days in project sites to enable inspection by its customers.

To enhance customer satisfaction, the Group has successively rolled out campaigns including “3M Smile” and “Eagle Eyes Action” in order to remind the staff to provide customers with professional, sincere and quality services. In the meantime, defects and problems in the properties were properly taken care of to increase customer satisfaction. In addition, numerous community events including Shouldering Your Wife Contest etc. created a healthy and harmonious atmosphere among customers in their respective communities.

CHARITY

Since its establishment, Kaisa Group has been fulfilling social responsibilities by playing a proactive role in charitable activities. To date, the Group has sponsored over 60 charitable events. The Group set up Kaisa Public Welfare Foundation, “Kaisa Medical Workers Caring Fund”, “Kaisa Yushu Education Fund”, “Kaisa Sanitation Workers Caring Fund” in May 2011 and founded the “Three Funds and One Foundation”. By forming a regular, supervised, standardized and transparent operating mechanism and riding on Kaisa’s brand awareness, the Group kept on promoting its charity development with its solid actions.

CORPORATE SOCIAL RESPONSIBILITY REPORT

In 2015, having attended the China Charity Fair and China Youth Development Foundation for the fourth consecutive year, the Company continued to lend support to development of charity activities. The Group mobilized nearly 5,000 staff members in its “Firefly Initiative” to visit elderly homes and welfare institutions. Minor but concrete actions were taken to show compassion to the society, which include street cleaning, visiting the elderly, caring for children with special needs, voluntary blood donation and monetary donations,

In recognition of its charitable contributions, Kaisa was named the “2015 Social Responsibility Welfare Role Model” by Xinhuanet.

HEALTHCARE

The Group was concerned about the development of healthcare services. With love and care for the mental and physical health of frontline medical workers, it raised public awareness towards the overloaded and stressful working environment of medical staffs. On 4 January 2014, 30 outstanding medical staffs were selected as “Touching Kaisa Medical Staff” in the “Kaisa Medical Staff Caring Project”. Since then, “Kaisa Medical Staff Caring Project” has been held for four sessions and become the most comprehensive and the only campaign without nomination barriers for selecting outstanding medical staffs in Shenzhen.

SPORTS AND CULTURE

By sponsoring and introducing a diversified array of cultural and sports activities, the Group promoted development of the sports and cultural sector with solid actions in 2015. The Group continued to sponsor tournaments including ATP/WTA Shenzhen Open Tennis Tournament (ATP/WTA 深圳網球公開賽), Oceania Youth Basketball Cup (洲際青年男子籃球爭霸賽), 2015 WINFC Fighting Championship (2015 WINFC 綜合格鬥爭霸) and provided safety support for International Champions Cup (ICC 國際冠軍杯賽) and NBA China Game. The Group organised Mini-flute Music Festival (迷笛音樂節), Strawberry Music Festival (草莓音樂節), Azalea Music Festival (樂杜鵑音樂節), Stylish Music Festival (時尚音樂節) and several concerts. In addition, a variety of local events, including Electric Run (熱波電跑), Mountain Music Festival (山地音樂節) and Illumi Run (炫彩夜跑), were organized for the citizens. Meanwhile, the Group responded positively to the call by the government in organising healthy activities for the citizens. The sports venues of Kaisa Culture Group admitted 200,000 citizens annually for free. The venues were open to the public for free for 8,000 operating hours.

CARE FOR STAFF

The Group provided its employees with incentivising and challenging work environment, training and learning opportunities in the course of their entire career development processes, remuneration packages commensurate with prevailing levels in the industry, and rich cultural lives for enjoyment after work. The Group stressed on sharing of knowledge and mutual learning. It encouraged job rotation which facilitated staff development and in turn a win-win situation between employees and the organisation. In 2015, the Group continued to embark on a campaign for sports and physical exercises of all staff members, encouraging them to work out to improve their health through sports activities like running. The Group proactively organised outdoor events with a view to encouraging staff to engage in outdoor group activities apart from their work. In addition, the staff of the Group established football, basketball, badminton and gymnastics associations internally with special subsidies to organise events for the relevant associations.

CORPORATE SOCIAL RESPONSIBILITY REPORT



Oceania Youth Basketball Cup



International Champions Cup



ATP/WTA Shenzhen Open Tennis Tournament



Mini-flute Music Festival



Azalea Music Festival



Illumi Run



Team building activity to show caring for staff members



2015 WINFC Fighting Championship

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2015.

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 2015, the Company has complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules save for the deviations due to the suspension in trading of shares of the Company which are explained below.

- (a) Code provision A.1.2 provides that arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings. Code provision A.1.3 provides that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. There were no regular Board meetings held for approving the annual and interim results of the Group during the year ended 31 December 2015. Due notice of all regular Board meetings will be given to all members of the Board.
- (b) Code provision A.2.5 provides that the chairman should take responsibility for ensuring that good corporate governance practices and procedures are established. The Company was not in compliance with certain code provisions as set out in the CG Code. The chairman has confirmed that he will take active action to improve and monitor the corporate governance practice of the Group.
- (c) Code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. No general meeting was held during the year ended 31 December 2015. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the general meeting. All Directors will be subject to rotation in accordance with the Articles of Association of the Company and the Listing Rules. Every Director will be subject to retirement by rotation at least once every three years.
- (d) 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. No general meeting was held during the year ended 31 December 2015 due to the suspension in trading of the Company's share.
- (e) Code provision A.7.1 provides that for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period). There were no regular Board meetings held for approving the annual and interim results of the Group during the year ended 31 December 2015.
- (f) Code provision C.1.5 provides that the board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements. There were no regular Board meetings held for approving the annual and interim results of the Group during the year ended 31 December 2015. The dispatches of the relevant annual reports and interim reports have been delayed.

CORPORATE GOVERNANCE REPORT

- (g) Code provision E.1.1 provides that for each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, issuers should explain the reasons and material implications in the notice of meeting.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. 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 requires independent shareholders’ approval. An issuer’s management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors’ report, the accounting policies and auditor independence.

Code provision E.1.3 provides that the issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

Code provision E.2.1 provides that the chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

The Company was not in compliance with the code provisions E.1.1, E.1.2, E.1.3 and E.2.1 as no general meeting was held during the year ended 31 December 2015 due to the suspension in trading of the Company’s share. General meetings of the Company shall be arranged in due course.

- (h) Code Provision A.3.2 provides that an issuer should maintain on its website and on the Exchange’s website an updated list of its directors identifying their role and function and whether they are independent non-executive directors. During the year ended 31 December 2015, the Company failed to maintain on its website and the Stock Exchange’s website an updated list of Directors due to an inadvertent error of the administrative staff of the Company.

Other non-compliances with the Listing Rules

- (a) 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 directors of such listed issuer. Since the resignation of Mr. FOK Hei Yu on 31 December 2014, the number of independent non-executive Directors has fallen below the minimum number of three and does not consist of one-third of the Board as required under Rules 3.10(1) and 3.10A of the Listing Rules during the period from 31 December 2014 to 27 February 2017. In order to comply with Rules 3.10(1) and 3.10A of the Listing Rules, Mr. LIU Xuesheng was appointed as an independent non-executive Director on 28 February 2017.
- (b) The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual/interim results for the financial year ended 31 December 2015; and (ii) publishing the annual report for the year ended 31 December 2015. Such delay has constituted non-compliance with Rules 13.46(2)(a) and 13.49 of the Listing Rules.
- (c) The Company failed to hold its annual general meeting for the year ended 31 December 2015 within the times stipulated under the Listing Rules and the articles of association of the Company (the “Articles”). An annual general meeting will be convened in June 2017 in which the Board will cause the audited consolidated financial statements of the Group for the year ended 31 December 2015 to be laid before the Shareholders for their consideration. Circular and the notice for the annual general meeting will be dispatched as soon as reasonably practicable.

CORPORATE GOVERNANCE REPORT

(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 (re-appointed on 13 April 2015)

Mr. SUN Yuenan

Mr. LEI Fugui

Mr. YU Jianqing

Mr. ZHENG Yi (appointed on 13 April 2015)

Mr. YE Lieli (resigned on 11 June 2015)

Mr. JIN Zhigang (resigned on 11 June 2015)

Non-executive Director:

Ms. CHEN Shaohuan

Independent non-executive Directors:

Mr. ZHANG Yizhao

Mr. RAO Yong

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

| Dates | Particulars |
|------------------|---|
| 1 November 2016 | <ul style="list-style-type: none"> Mr. LEI Fugui resigned as an executive Director |
| 28 February 2017 | <ul style="list-style-type: none"> Mr. LIU Xuesheng was appointed as an independent non-executive Director |

After the end of the financial year under review, the following changes in members of the senior management took place:

| Dates | Particulars |
|-------------------|--|
| 16 February 2016 | <ul style="list-style-type: none"> Mr. MAI Fan was appointed as the assistant to the President Ms. HUANG Qin was appointed as senior vice president |
| 24 May 2016 | <ul style="list-style-type: none"> Mr. HABIBULLAH Abdul Rahman was appointed as Chief Financial Officer and company secretary Mr. SIU Ho Fai resigned as company secretary Mr. WAN Bing resigned as Chief Financial Officer |
| 19 September 2016 | <ul style="list-style-type: none"> Mr. MAI Fan was appointed as Co-president |
| 8 October 2016 | <ul style="list-style-type: none"> Mr. SONG Wei was appointed as vice president Mr. LUO Jun was appointed as vice president Mr. WAN Bing resigned as an executive vice president |
| 3 January 2017 | <ul style="list-style-type: none"> Mr. WONG Kwok Kwan was appointed as vice president |

CORPORATE GOVERNANCE REPORT

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 2015, Mr. NG Wai Cheong received not less than 15 hours of relevant professional training to update his knowledge and skills. Mr. NG Wai Cheong resigned as company secretary and Mr. SIU Ho Fai was appointed as company secretary on 26 October 2015. The biographical details of Mr. SIU Ho Fai, please refer to the announcement dated 26 October 2015.

As at 31 December 2015, the Board consisted of eight Directors including Mr. KWOK Ying Shing (chairman), Mr. SUN Yuenan, Mr. LEI Fugui, Mr. YU Jianqing and Mr. ZHENG Yi (chief executive officer) as the executive Directors, Ms. CHEN Shaohuan as a non-executive Director and Mr. ZHANG Yizhao and Mr. RAO Yong as the independent non-executive Directors. The overall management of the Company’s operation is vested in the Board.

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 2015, the Board comprised seven Directors, including four executive Directors, one non-executive Director and two independent non-executive Directors. Their names and biographical details are set in the section entitled “Directors and Senior Management” in this annual report.

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 2015.

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.

CORPORATE GOVERNANCE REPORT

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. During the year ended 31 December 2015, roles of the chairman and chief executive officer were separate and exercised by different individuals, Mr. SUN Yuenan and Mr. YE Lieli acted as co-chairmen of the Board during the period 1 January 2015 to 12 April 2015. Mr. KWOK Ying Shing acted as the Chairman of the Board during the period from 13 April 2015 to 31 December 2015. Mr. JIN Zhigang acted as the chief executive officer during the period 1 January 2015 to 31 January 2015 and Mr ZHENG Yi acted as the chief executive officer during the period from 11 June 2015 to 31 December 2015.

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 organization structure, control systems and internal procedures and processes of the Company for the Board's approval.

Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment 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 2015, 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. Since the resignation of Mr. FOK Hei Yu on 31 December 2014, the number of independent non-executive Directors fell below the minimum number of three and does not consist of one-third of the Board as required under Rules 3.10(1) and 3.10A of the Listing Rules during the period from 31 December 2014 to 27 February 2017. In order to comply with Rules 3.10(1) and 3.10A of the Listing Rules, Mr. LIU Xuesheng was appointed as an independent non-executive Director on 28 February 2017.

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.

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 2015, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

CORPORATE GOVERNANCE REPORT

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.

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 2015, there were no significant changes to the Articles.

Appointment, Re-election and Removal of Directors

Each of the executive Directors and non-executive Directors (including independent non-executive Directors) has entered into a service contract or a letter of appointment with the Company for a specific term. 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 subject to 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 Article 83(3) of the Articles, Mr. KWOK Ying Shing, Mr. ZHENG Yi, Mr. YU Jianqing and Mr. LIU Xuesheng shall hold office until the forthcoming AGM, and being eligible, would offer themselves for re-election at the forthcoming AGM.

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 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, Mr. SUN Yuenan, Mr. YU Jianqing, Mr. ZHENG Yi, Ms. CHEN Shaohuan, Mr. RAO Yong and Mr. ZHANG Yizhao shall retire by rotation at the forthcoming AGM and each of them, being eligible, would offer themselves 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 by ordinary resolution, 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.

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2015, the Directors also participated in the following trainings:

| Directors | Types of training |
|---|-------------------|
| Executive Directors | |
| Mr. KWOK Ying Shing (re-appointed on 13 April 2015) | C |
| Mr. SUN Yuenan | C |
| Mr. LEI Fugui | A,C |
| Mr. YU Jianqing | C |
| Mr. ZHENG Yi (appointed on 13 April 2015) | C |
| Mr. YE Lieli (resigned on 11 June 2015) | C |
| Mr. JIN Zhigang (resigned on 11 June 2015) | C |
| Non-Executive Director | |
| Ms. CHEN Shaohuan | C |
| Independent Non-Executive Directors | |
| Mr. ZHANG Yizhao | B,C |
| Mr. RAO Yong | C |

A: attending seminars and/or conferences and/or forums

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

C: 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.

CORPORATE GOVERNANCE REPORT

Nomination Committee

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.

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. SUN Yuenan, executive Director (resigned on 7 August 2015)
Mr. KWOK Ying Shing, executive Director (appointed on 7 August 2015)

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 2015:

- 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 and select or make recommendations to the Board on selection of individuals nominated for directorships;
- 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.

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

CORPORATE GOVERNANCE REPORT

The Audit Committee was primarily responsible for the following duties during the year ended 31 December 2015:

- 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 risk management and internal control systems with management of the Company and ensure that the management has performed its duty to have an effective risk management and internal control systems;
- to review the financial and accounting policies and practices of the Company and its subsidiaries; and
- 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.

During the year ended 31 December 2015, no audit committee meeting was held.

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 CG 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

Members:

Mr. SUN Yuenan, executive Director (resigned on 7 August 2015)

Mr. KWOK Ying Shing, executive Director (appointed on 7 August 2015)

Mr. RAO Yong, independent non-executive Director

CORPORATE GOVERNANCE REPORT

The Remuneration Committee was primarily responsible for the following duties during the year ended 31 December 2015:

- 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 31 to the financial statements. During the year ended 31 December 2015, 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 2015 is set out below:

| Remuneration bands (RMB) | Number of persons |
|--------------------------|-------------------|
| 1 to 1,000,000 | 2 |
| 1,000,001 to 2,000,000 | 2 |
| 2,000,001 to 3,000,000 | 1 |
| 3,000,001 to 4,000,000 | 6 |
| 4,000,001 to 5,000,000 | 1 |
| | 12 |

CORPORATE GOVERNANCE REPORT

Meeting Attendance

The attendance of Directors at Board meetings and meetings of the Board committees during the year ended 31 December 2015, as well as the number of such meetings held, is set out as follows:

Meetings attended/held

| Directors | Board | Nomination Committee | Remuneration Committee |
|--|-------|----------------------|------------------------|
| Executive Directors | | | |
| Mr. KWOK Ying Shing ^(Note 1) | 1/1 | 1/1 | 1/1 |
| Mr. SUN Yuenan | 2/2 | | |
| Mr. LEI Fugui ^(Note 2) | 1/2 | | |
| Mr. YU Jianqing | 2/2 | | |
| Mr. YE Lieli ^(Note 3) | 0/2 | | |
| Mr. JIN Zhigang ^(Note 4) | 0/2 | | |
| Mr. ZHENG Yi ^(Note 5) | 1/1 | | |
| Non-Executive Director | | | |
| Ms. CHEN Shaohuan | 2/2 | | |
| Independent Non-Executive Directors | | | |
| Mr. ZHANG Yizhao | 2/2 | 1/1 | 1/1 |
| Mr. RAO Yong | 2/2 | 1/1 | 1/1 |

Notes:

- Mr. KWOK Ying Shing was re-appointed as executive Director on 13 April 2015.
- Mr. LEI Fugui resigned as executive Director on 1 November 2016.
- Mr. YE Lieli resigned as executive Director on 11 June 2015.
- Mr. JIN Zhigang resigned as executive Director on 11 June 2015.
- Mr. ZHENG Yi was appointed as executive Director on 13 April 2015.
- Since the Company did not convene any general meeting for the year ended 31 December 2015, none of the Directors attended such general meeting.

CORPORATE GOVERNANCE REPORT

(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 81 to 82 of the "Independent Auditor's Report" in this annual report.

External Auditors' Remuneration

PricewaterhouseCoopers was the auditor of the Company in relation to the financial statements of the Group for the year ended 31 December 2013, and subsequent to its resignation as the auditor of the Company on 24 June 2016, Grant Thornton Hong Kong Limited was appointed as auditors of the Company with effect from 24 June 2016.

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 RMB5.0 million and RMB0.2 million, respectively.

Internal Control

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. 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 Directors conducted a review of the overall effectiveness of the internal control system of the Group for the year ended 31 December 2015. An internal audit department has been established to perform regular financial and operational reviews and conduct audit of the Company and its subsidiaries and reported to the Board on any material issues and make recommendations to the Board. The work carried out by the internal audit department will ensure the internal controls are in place and functioning properly as intended.

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

Grant Thornton Advisory Services Limited ("**GT Advisory**"), an external professional adviser, was engaged by the Company in August 2016 to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group. After a review of the work done by GT Advisory, the Board considered that the Company's improved internal control system was adequate and effective.

CORPORATE GOVERNANCE REPORT

(C) NON-COMPETITION UNDERTAKING

A deed of non-competition dated 25 November 2009 (the “**Deed of Non-Competition**”) was entered into between the Company and the then controlling Shareholders, namely Mr. KWOK Ying Shing, Mr. KWOK Chun Wai and Mr. KWOK Ying Chi (the “**Kwok Family**”), Da Chang Investment Company Limited (“**Da Chang**”), Da Feng Investment Company Limited (“**Da Feng**”), Da Zheng Investment Company Limited (“**Da Zheng**”) and Chang Yu Investment Company Limited (“**Chang Yu**”) who have undertaken to the Company that he/it will not directly or indirectly be involved in or undertake any business that directly or indirectly competes with our Group’s business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with our Group’s business.

The Company has received an annual written confirmation from each of the controlling Shareholders in respect of the compliance by them and their close associates with the Deed of Non-Competition.

Each of the then controlling shareholders (within the meaning of the Listing Rules) of the Company confirmed to the Company that each of them and his/its close associates has complied with the non-competition undertaking given by him/it to the Company under the Deed of Non-competition.

The Directors (including independent non-executive Directors) have reviewed the status of compliance and enforcement of the non-competition undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2015.

Other than the Group’s business, none of the Directors or their respective associates have any interests in any business that competes or is likely to compete with the Group’s business during the year ended 31 December 2015.

(D) 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.

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, 2015-16, 20/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong

Fax: (852) 3900 0990

Telephone: (852) 8202 6888

CORPORATE GOVERNANCE REPORT

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. No general meeting was held during the year ended 31 December 2015 and up to the date of this annual report.

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 2015.

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 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in property development, property investment and property management, hotel and catering operations, and cinema, department store and cultural centre operations. The activities and particulars of the Company's subsidiaries are set out in note 45 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 5 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". Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2015 are set out in note 43 to the consolidated financial statements of the Company.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 83 in this annual report.

DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended 31 December 2015 (2014: nil).

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

There were no changes in the number of the issued Shares during the year ended 31 December 2015. Details of movements during the year in the share capital of the Company are set out in note 19 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 2015 are set out in note 44 to the consolidated financial statements.

BORROWINGS

Details of the borrowings are set out in note 21 to the consolidated financial statements.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to RMB10,000 (2014: RMB55.0 million).

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and the New Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds as disclosed in the section headed “Management Discussion and Analysis – Financial Review” in this report, 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.

DIRECTORS

During the year ended 31 December 2015 and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. KWOK Ying Shing (re-appointed on 13 April 2015)
 Mr. SUN Yuenan
 Mr. LEI Fugui (resigned on 1 November 2016)
 Mr. YU Jianqing
 Mr. ZHENG Yi (appointed on 13 April 2015)
 Mr. YE Lieli (resigned on 11 June 2015)
 Mr. JIN Zhigang (resigned on 11 June 2015)

Non-Executive Director

Ms. CHEN Shaohuan

Independent Non-Executive Directors

Mr. ZHANG Yizhao
 Mr. RAO Yong
 Mr. LIU Xuesheng (appointed on 28 February 2017)

In accordance with Article 84(1) of the Articles, Mr. KWOK Ying Shing, Mr. SUN Yuenan, Mr. YU Jianqing, Mr. ZHENG Yi, Ms. CHEN Shaohuan, Mr. RAO Yong and Mr. ZHANG Yizhao shall retire by rotation at the forthcoming AGM and each of them, being eligible, would offer themselves for re-election at the forthcoming AGM.

In accordance with Article 83(3) of the Articles, Mr. KWOK Ying Shing, Mr. ZHENG Yi, Mr. YU Jianqing and Mr. LIU Xuesheng shall hold office until the forthcoming AGM, and being eligible, would offer themselves 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 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. Upon the resignation of Mr. FOK Hei Yu on 31 December 2014 as Independent Non-executive Director, the Board comprises eight directors including five executive Directors, one non-executive Director and two independent non-executive Directors. Accordingly, the number of independent non-executive Directors has fallen below the minimum number of three and does not consist of one-third of the Board as required under Rules 3.10(1) and Rule 3.10A of the Listing Rules during the period from 31 December 2014 to 27 February 2017. In order to comply with Rules 3.10(1) and 3.10A of the Listing Rules, Mr. LIU Xuesheng was appointed as an independent non-executive Director on 28 February 2017.

REPORT OF THE DIRECTORS

SHARE CAPITAL AND DEBENTURES

There were no changes in the number of the issued Shares and debentures of the Company during the year ended 31 December 2015.

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 51 to 54.

DIRECTORS' 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.

RESUMPTION PROGRESS

Trading in the Shares on the Stock Exchange has been suspended since March 2015. The Stock Exchange imposed on the Company certain conditions to the resumption of the trading in the Shares. For details of those conditions, please refer to the announcement of the Company dated 23 July 2015. The Board is in the course of taking necessary actions and steps to fulfill those resumption conditions and will keep the shareholders and potential investors of the Company informed of the progress, as and when appropriate.

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 in aggregate 30% of the Shares in issue. 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 2015, 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 496,511,100 Shares, representing approximately 9.67% of the issued share capital of the Company as at the date of the report.

During the year ended 31 December 2015, no options were granted under the Share Option Scheme. For the year ended 31 December 2015, no options were exercised or cancelled, and a total of 113,260,000 options were forfeited/lapsed.

REPORT OF THE DIRECTORS

(4) Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the options 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 as at the date of grant.

(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.

(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 2015 pursuant to the Share Option Scheme:

| Grantee | Balance as of | Grant during | Exercised during | Cancelled/ Forfeited/ Lapsed during | Reclassification adjustment | Balance as of |
|------------------------|-------------------------------|---------------------------------------|---------------------------------------|---|--------------------------------|---------------------|
| | 1 January 2015 (Note 1) | the year ended 31 December 2015 | the year ended 31 December 2015 | the year ended 31 December 2015 | | 31 December 2015 |
| Directors | | | | | | |
| SUN Yuenan | 20,020,000 | – | – | – | – | 20,020,000 |
| YU Jianqing | 6,000,000 | – | – | – | – | 6,000,000 |
| ZHANG Yizhao | 1,000,000 | – | – | – | – | 1,000,000 |
| RAO Yong | 1,000,000 | – | – | – | – | 1,000,000 |
| ZHENG Yi | – | – | – | – | 588,000 | 588,000 |
| Other employees | | | | | | |
| In aggregate | 208,852,000 | – | – | (113,260,000) | (588,000) | 95,004,000 |
| Total | 236,872,000 | – | – | (113,260,000) | – | 123,612,000 |

REPORT OF THE DIRECTORS

Notes:

- (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 2015, please refer to Note 40 to the Consolidated Financial Statements. Save as disclosed above, the outstanding share options are exercised during the following periods: (i) up to 20% of the Share options granted to the grantees at any time after the expiration of 12 months from the respective date of grant; (ii) up to 20% of the Share options granted to the grantees at any time after the expiration of 24 months from the respective date of grant; (iii) up to 20% of the Share options granted to the grantees at any time after the expiration of 36 months from respective date of grant; (iv) up to 20% of the Share options granted to the grantees at any time after the expiration of 48 months from the respective date of grant; and (v) all the remaining the Share options granted to the grantees at any time after the expiration of 60 months from respective date of grant.
- (2) During the year ended 31 December 2015, Mr. ZHENG Yi was appointed as director of the Company. As such, 588,000 share options granted to Mr. ZHENG Yi on 6 June 2012 were reclassified to the director category.

As at 31 December 2015, a total of 54,672,000 options were exercisable.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests in Securities

As at 31 December 2015, 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:

| Name of Director | Capacity | Number of shares | Approximate percentage of the issued share capital of the Company (Note 1) % |
|------------------|--------------------------------------|------------------|---|
| KWOK Ying Shing | Interest in a controlled corporation | 843,065,378 | 16.42% |

Note:

- (1) The percentages were calculated based on 5,135,427,910 Shares in issue as at 31 December 2015.

REPORT OF THE DIRECTORS

(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 | 20,020,000 | 0.39% |
| YU Jianqing | Beneficial owner | 6,000,000 | 0.12% |
| ZHANG Yizhao | Beneficial owner | 1,000,000 | 0.02% |
| RAO Yong | Beneficial owner | 1,000,000 | 0.02% |
| ZHENG Yi | Beneficial owner | 588,000 | 0.01% |

Note:

The percentages were calculated based on 5,135,427,910 Shares in issue as at 31 December 2015, assuming all the options granted under the Share Option Scheme have been exercised.

Save for those disclosed above, as at 31 December 2015, 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 Scheme as set out in note 40 to the consolidated financial statements, at no time during the year was the Company, its holding company, or any of their 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 42 to the consolidated financial statements, no Director or an entity connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company or their subsidiaries was a party subsisting at the end of the year or at any time during the year ended 31 December 2015.

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 2015.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2015 are set out in note 42 to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules. All of them fall within the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

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 31 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 adopted Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Scheme are set out in this report.

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.

During the year ended 31 December 2015, none of the Directors, their close associates, 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

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2015, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executive's Interests in Securities," had notified the Company of its interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at 31 December 2015, 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 were as follows:

| Name of substantial shareholder | Capacity | Number of shares (Note 1) | Approximate percentage of the issued share capital of the Company (%) |
|---|--------------------------------------|------------------------------|---|
| Da Chang | Beneficial owner | 843,065,378 (L) (Note 2) | 16.42% |
| Da Feng | Beneficial owner | 843,065,378 (L) (Note 2) | 16.42% |
| Da Zheng | Beneficial owner | 843,065,377 (L) (Note 2) | 16.41% |
| Funde Sino Life Insurance Co., Ltd. | Beneficial owner | 649,700,957 (L) | 29.94% |
| | Interest in a controlled corporation | 887,995,149 (L) (Note 3) | |
| Fund Resources Investment Holding Group Company Limited | Beneficial owner | 887,995,149 (L) | 17.29% |
| Kwok Ying Chi | Interest in a controlled corporation | 843,065,377 (L) | 16.41% |
| Kwok Hiu Kwan | Interest in a controlled corporation | 843,065,378 (L) | 16.42% |

REPORT OF THE DIRECTORS

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. Each of Da Zheng, Da Feng and Da Chang is wholly owned by Mr. Kwok Ying Chi, Mr. Kwok Ying Shing and Mr. Kwok Hiu Kwan, respectively.
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 2015. 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. Reference is made to the form of the disclosure of interests filed by Sino Life Insurance Co., Ltd on 4 December 2014.
4. The percentages were calculated based on 5,135,427,910 Shares in issue as at 31 December 2015.

Save for those disclosed above, as at 31 December 2015, 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 2015.

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.

Save as disclosed in the section head “Other non-compliances with the Listing Rules”, 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 2015.

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.

REPORT OF THE DIRECTORS

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.

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 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, during the year ended 31 December 2015, the public float of the Company fell below the prescribed public float requirements under the Listing Rules. The public float was restored through the transfer of 217,392,000 Shares, representing approximately 4.23% of the issued share capital of the Company, by Da Chang to an independent third party on 23 February 2017.

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

AUDITORS

Pricewaterhouse Coopers were appointed as auditor of the Company for the year ended 31 December 2013, re-appointed by the Company at the annual general meeting held on 31 March 2014 and resigned as the auditor of the Company with effect from 24 June 2016. For further details of the resignation, please refer to the announcement of the Company dated 15 July 2016.

Grant Thornton Hong Kong Limited was appointed as the auditor of the Company on 24 June 2016. Grant Thornton Hong Kong Limited will only hold office until the conclusion of the next following annual general meeting of the Company.

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, 25 March 2017

INDEPENDENT AUDITORS' REPORT



To the members of Kaisa Group Holdings Ltd.

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries set out on pages 83 to 165, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITORS' REPORT

EMPHASIS OF MATTER

As disclosed in the Company's 2014 annual report, the auditors' report on the consolidated financial statements of the Group contained a disclaimer of opinion because of the significance of the possible effects of certain matters relating to the Incident (as defined in the Company's 2014 Annual Report) on the adequacy of disclosures of the nature of the loss arising from the Incident and categorisation of cash flows arising from the Incident for the year ended 31 December 2014. Accordingly, we draw attention to the possible effect of the matters mentioned in the basis for disclaimer of opinion on the results and cash flows on the comparability of the current year's figures and the comparative information.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

25 March 2017

Lin Ching Yee Daniel

Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|-------|---------------------|-----------------|
| Revenue | 5 | 10,926,535 | 19,600,176 |
| Cost of sales | 28 | (10,583,158) | (16,729,262) |
| Gross profit | | 343,377 | 2,870,914 |
| Other losses, net | 27 | (216,339) | (1,742,408) |
| Selling and marketing costs | 28 | (559,419) | (798,518) |
| Administrative expenses | 28 | (1,066,169) | (1,170,986) |
| Changes in fair value of investment properties | 7 | 3,824,520 | 3,626,772 |
| Changes in fair value of financial derivatives | 16 | (42,219) | (85,772) |
| Loss arising from the Incident | 26 | – | (482,736) |
| Operating profit | | 2,283,751 | 2,217,266 |
| Share of results from associates | 9 | (3,586) | (634) |
| Finance income | | 10,717 | 25,039 |
| Finance costs | | (2,117,161) | (775,804) |
| Finance costs, net | 29 | (2,106,444) | (750,765) |
| Profit before income tax | | 173,721 | 1,465,867 |
| Income tax expenses | 32 | (1,428,205) | (2,765,935) |
| Loss and total comprehensive loss for the year | | (1,254,484) | (1,300,068) |
| Loss for the year and total comprehensive loss for the year attributable to: | | | |
| Equity holders of the Company | | (1,121,577) | (1,287,484) |
| Non-controlling interests | | (132,907) | (12,584) |
| | | (1,254,484) | (1,300,068) |
| Loss per share for loss attributable to equity holders of the Company during the year (expressed in RMB per share) | | | |
| – Basic | 33 | (0.218) | (0.255) |
| – Diluted | 33 | (0.218) | (0.255) |

The notes on pages 88 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|--|-------|--------------------|-----------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property and equipment | 6 | 760,171 | 848,179 |
| Investment properties | 7 | 20,738,703 | 16,256,160 |
| Land use rights | 8 | 162,942 | 169,228 |
| Investments in associates | 9 | 783,175 | 778,461 |
| Long-term bank deposits | 18 | 1,479 | 64,695 |
| Deferred income tax assets | 22 | 32,207 | 58,824 |
| | | 22,478,677 | 18,175,547 |
| Current assets | | | |
| Properties under development | 10 | 63,861,735 | 69,335,835 |
| Completed properties held for sale | 11 | 17,663,012 | 11,320,631 |
| Available-for-sale financial assets | 12 | 10,000 | 56,823 |
| Debtors, deposits and other receivables | 13 | 5,357,835 | 3,697,214 |
| Deposits for land acquisition | 14 | 4,002,386 | 3,776,684 |
| Prepayments for proposed development projects | 15 | 10,566,950 | 9,617,786 |
| Prepaid taxes | | 298,157 | 262,507 |
| Financial derivatives | 16 | – | 627 |
| Restricted cash | 17 | 969,403 | 1,078,291 |
| Short-term bank deposits | 18 | 13,974 | 189,860 |
| Cash and cash equivalents | 18 | 2,324,546 | 3,131,154 |
| | | 105,067,998 | 102,467,412 |
| Current liabilities | | | |
| Advance proceeds received from customers and deposits received | 23 | 14,524,168 | 15,771,087 |
| Accrued construction costs | | 14,591,720 | 14,118,865 |
| Income tax payable | | 3,989,909 | 3,879,450 |
| Borrowings | 21 | 33,713,019 | 61,256,102 |
| Financial derivatives | 16 | – | 34,735 |
| Other payables | 24 | 5,287,570 | 3,787,568 |
| Amounts due to non-controlling interests of subsidiaries | 25 | 672,405 | 672,318 |
| | | 72,778,791 | 99,520,125 |
| Net current assets | | 32,289,207 | 2,947,287 |
| Total assets less current liabilities | | 54,767,884 | 21,122,834 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|-------|-------------------|-----------------|
| Non-current liabilities | | | |
| Borrowings | 21 | 38,405,150 | 4,466,896 |
| Deferred income tax liabilities | 22 | 3,163,089 | 2,206,959 |
| | | 41,568,239 | 6,673,855 |
| Net assets | | | |
| | | 13,199,645 | 14,448,979 |
| EQUITY | | | |
| Share capital | 19 | 450,450 | 450,450 |
| Share premium | 19 | 4,253,704 | 4,253,704 |
| Reserves | 20 | 8,845,390 | 9,958,817 |
| Equity attributable to equity holders of the Company | | | |
| | | 13,549,544 | 14,662,971 |
| Non-controlling interests | | (349,899) | (213,992) |
| Total equity | | | |
| | | 13,199,645 | 14,448,979 |

The notes on pages 88 to 165 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 83 to 165 were approved by the Board of Directors on 25 March 2017 and were signed on its behalf.

Kwok Ying Shing
Director

Zheng Yi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

| | Capital and reserves attributable to equity holders of the Company | | | | Non-controlling interests RMB'000 | Total equity RMB'000 |
|--|--|---------------------------------------|----------------------------------|-------------------|--------------------------------------|-------------------------|
| | Share capital RMB'000 (note 19) | Share premium RMB'000 (note 19) | Reserves RMB'000 (note 20) | Total RMB'000 | | |
| Balances as at 1 January 2014 | 434,139 | 3,861,789 | 11,969,010 | 16,264,938 | 79,771 | 16,344,709 |
| Total comprehensive loss for the year | — | — | (1,287,484) | (1,287,484) | (12,584) | (1,300,068) |
| Transactions with owners | | | | | | |
| Issue of scrip dividend shares | 6,354 | 163,921 | (170,275) | — | — | — |
| Dividend paid | — | — | (420,772) | (420,772) | — | (420,772) |
| Capital injection by non-controlling interests | — | — | — | — | 3,600 | 3,600 |
| Acquisition of additional interests in a subsidiary (note 38(a)) | — | — | (92,632) | (92,632) | (97,368) | (190,000) |
| Acquisition of subsidiaries (note 38(b)) | — | — | — | — | (186,460) | (186,460) |
| Disposal of interests in subsidiaries | — | — | (786) | (786) | (951) | (1,737) |
| Exercise of shares options (note 19(a)) | 9,957 | 227,994 | (66,473) | 171,478 | — | 171,478 |
| Share-based payments | — | — | 28,229 | 28,229 | — | 28,229 |
| Balance as at 31 December 2014 and 1 January 2015 | 450,450 | 4,253,704 | 9,958,817 | 14,662,971 | (213,992) | 14,448,979 |
| Total comprehensive loss for the year | — | — | (1,121,577) | (1,121,577) | (132,907) | (1,254,484) |
| Transactions with owners | | | | | | |
| Deregistration of a non-wholly owned subsidiary | — | — | — | — | (3,000) | (3,000) |
| Share-based payments | — | — | 8,150 | 8,150 | — | 8,150 |
| Balance as at 31 December 2015 | 450,450 | 4,253,704 | 8,845,390 | 13,549,544 | (349,899) | 13,199,645 |

The notes on pages 88 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|------|--------------------|-----------------|
| Cash flows from operating activities | | | |
| Cash generated from/(used in) operations | 34 | 912,483 | (12,546,048) |
| Income tax paid | | (370,649) | (722,859) |
| Interest paid | | (4,820,603) | (3,493,518) |
| Net cash used in operating activities | | (4,278,769) | (16,762,425) |
| Cash flow from investing activities | | | |
| Purchase of property and equipment | | (25,795) | (144,646) |
| Additions to Investment properties | | (658,023) | (2,119,318) |
| Proceeds from disposal of available-for-sale financial assets | | 46,823 | – |
| Acquisition of subsidiaries, net of cash acquired | | – | (2,239,014) |
| Proceeds from disposal of subsidiaries | | – | 23,783 |
| Proceeds from disposal of property and equipment | | 2,463 | 2,280 |
| Decrease in short-term bank deposits | | 175,886 | 73,863 |
| Decrease/(increase) in long-term bank deposits | | 63,216 | (64,695) |
| Interest received | | 10,717 | 25,039 |
| Acquisition of associates | | (8,300) | (56,823) |
| Acquisition of available-for-sale financial assets | | – | (22,500) |
| Net cash used in investing activities | | (393,013) | (4,522,031) |
| Cash flow from financing activities | | | |
| Proceeds from bank and other borrowings | | 23,481,357 | 20,789,381 |
| Repayments of bank and other borrowings | | (20,982,854) | (8,300,594) |
| Proceeds from loans from a related company | | 1,377,000 | 1,500,000 |
| Proceeds from issuance of Senior Notes | | – | 3,908,263 |
| Dividends paid | | – | (420,772) |
| Capital injection by non-controlling interests | | – | 3,600 |
| Proceeds from issuance of share options | | – | 171,478 |
| Deregistration of a non-wholly owned subsidiary | | (3,000) | – |
| Net cash generated from financing activities | | 3,872,503 | 17,651,356 |
| Net decrease in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the year | | 3,131,154 | 6,765,970 |
| Exchange adjustments | | (7,329) | (1,716) |
| Cash and cash equivalents at end of the year | | 2,324,546 | 3,131,154 |

The notes on pages 88 to 165 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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. During the year, the Company was engaged in investment holding and the subsidiaries of the Company were principally engaged in property development, property investment, property management, hotel and catering operations and cinema, department store and cultural centre operations.

The Company's shares have been 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"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 25 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities (including financial derivative) at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(i) New and amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015:

| | |
|--|--|
| Amendments to HKAS 19 HKFRSs (Amendments) | Defined Benefit Plans: Employee Contributions Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle |
|--|--|

The application of the above amended standards which are effective for financial year beginning on 1 January 2015 did not have material financial impact to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) New Hong Kong Companies Ordinance (Cap.622)

The amendments to the Rules Governing the Listing of Securities on the Stock Exchange relating to financial information with reference to Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year and the main impact is on the presentation and disclosures of certain information in these consolidated financial statements.

(iii) New standards, amendments to standards and interpretation that have been issued but were not yet effective

The following new/revised standards, amendments and improvements have been issued but were not effective for the financial year beginning on 1 January 2015 that are relevant to and have not been adopted early by the Group:

| | | Effective for the accounting period beginning on or after |
|--|--|--|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2012 – 2014 Cycle | 1 January 2016 |
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| HKFRS 11 (Amendments) | Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| HKFRS 15 (Amendments) | Clarifications to HKFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| HKAS 1 (Amendments) | Disclosure Initiative | 1 January 2016 |
| HKAS 16 and HKAS 38 (Amendments) | Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| HKAS 27 (Amendments) | Equity Method in Separate Financial Statements | 1 January 2016 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| HKAS 7 (Amendments) | Statement of Cash Flows | 1 January 2017 |
| HKAS 12 (Amendments) | Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |

The Directors are in the process of assessing the possible impact on the future adoption of the new/revised HKFRSs. Certain of these new/revised HKFRSs may have impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to confirm with the Group's accounting policies.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. 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 recognised the non-controlling interest's amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date 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 HKAS 39 either 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 identifiable net 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 assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

(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 acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(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 the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Investment in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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 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 the profit or loss of the investee after the date of acquisition. The Group's investments in associates includes 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.

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 results from associates in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate 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 and losses on dilution of equity interest associates are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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.

2.5 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 and the Group.

(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 are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between transaction differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Transaction differences related to changes in amortised cost recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sales, are included in other comprehensive income.

(iii) Group companies

The results and financial positions of all 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 of the group entities 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.5 Foreign currency translation** (Continued)

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Land use rights

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

| | |
|----------------------------------|-------------|
| Hotel properties | 20–25 years |
| Buildings | 20–25 years |
| Motor vehicles | 5–10 years |
| Furniture, fitting and equipment | 3–8 years |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property and equipment (Continued)

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 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other (losses)/gains – net" in profit or loss.

2.9 Investment properties

Properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. They also include properties that are under construction but with a plan to use as investment properties in the future.

Investment properties comprise land and buildings held under operating leases.

Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. 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.

Where fair value of investment properties under construction are not reliably determinable, such investment properties under construction are measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Investment properties are derecognised either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposals.

When investment properties undergo a change in use, evidenced by commencement of development with a view to sale, the properties are transferred to properties under development at their fair value at the date of change in use.

If investment properties become owner-occupied, or commence to be further developed for sale, they are reclassified as land use rights, properties under development and property and equipment, and their fair value at the date of reclassification becomes their cost for accounting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investment properties (Continued)

If the land use rights and the attached properties for own-use become 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 the land use rights and the attached properties under HKAS 16. Any revaluation reserve balance of the property is transferred to retained earnings in the statement of profit or loss and other comprehensive income upon the subsequent disposal of the investment property.

For a transfer from completed properties for sale to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.10 Financial assets

The Group classifies its financial assets in the following categories: 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.

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 cash equivalents” in the statement of financial position.

Available-for-sale financial assets are non-derivatives 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 of it within 12 months of the reporting date.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. 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 the profit or loss.

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

Financial assets and liabilities are offset and the net amount reported in the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on marketing conditions.

Development cost of property comprises 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 the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.13 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 sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Financial derivatives

Financial derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values.

Financial derivatives that do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Cash and cash equivalents

Cash and cash equivalent include cash in hand, deposits held at call with banks and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

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

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

Fee 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 classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Senior Notes and Senior Secured Guaranteed Bonds

Senior Notes and Senior Secured Guaranteed Bonds issued by the Company are recognised at fair value at date of issue, net of transaction costs incurred. After initial recognition, the Senior Notes and Senior Secured Guaranteed Bonds are carried at amortised cost using the effective interest method.

2.21 Convertible bonds

(i) Convertible bonds with equity component

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry or when the Company redeems some or all of the convertible bonds upon exercise of the put option by the bond holders.

(ii) Convertible bonds without equity component

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract. At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the profit or loss. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the convertible bonds are converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the convertible bonds are redeemed, any difference between the redemption amount and the carrying amounts of both components are recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Borrowing costs

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

2.23 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.

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 Company's subsidiaries and its associate 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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, deferred income tax is not accounted for if it arises from initial recognition of 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income 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 income taxes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.24 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 People's Republic of China (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. Other than the contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees in Hong Kong.

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

(iii) Bonus entitlements

The expected cost of bonus payments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Employee benefits *(Continued)*

(iv) Share-based payments

The Group operates equity-settled share option schemes. 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 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 proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium) when the options are exercised.

The grant by the Company of options 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 subsidiaries undertakings, with a corresponding credit to equity in the parent entity accounts.

2.25 Provisions, contingent liabilities and contingent assets

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 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 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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition

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 eliminating 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 when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. 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) *Properties under development/held for sale and proposed development projects*

Revenue from sales of properties under development and proposed development projects is recognised when the risks and rewards of properties or projects are transferred to the purchasers, which occurs when the relevant properties or projects have been delivered to the purchasers and collectability of related receivables 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 properties letting under operating leases is recognised on a straight-line basis over the lease terms.

(iii) **Property management**

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

(iv) **Hotel operation income**

Hotel revenue from room rental, food and beverage sales and other ancillary services is recognised when the goods are delivered and the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Interest income

Interest income is recognised using the effective interest method.

2.28 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

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 lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Rental income from operating lease is recognised on a straight-line basis over the term of the lease.

2.29 Dividend distribution

Dividend distribution to the equity holders 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 equity holders or the board of directors, where applicable.

2.30 Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3. 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, debtors, deposits and other receivables, cash and cash equivalents, restricted cash, bank deposits, accrued construction costs, other payables, purchase consideration of subsidiaries, 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 and interest rate risk), credit risk and liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)**3.1 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 currency exchange risk**

The Group's businesses are principally conducted in RMB, except that borrowings are denominated in other foreign currencies. The major non-RMB assets and liabilities are borrowings and bank deposits denominated in Hong Kong dollar ("HKD") and the United States dollar ("USD").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances 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, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Group's post-tax loss for the year would have been approximately RMB848,636,000 lower/higher (2014: RMB638,785,000 lower/higher), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

(2) Interest rate risk

The Group has been exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest bearing bank deposits, bank and other borrowings, Convertible Bonds and Senior Notes. Bank deposits and bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Convertible Bonds, Senior Notes and other borrowings 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 2015, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax loss for the year would have been RMB68,213,000 higher/lower (2014: RMB114,552,000 higher/lower). Majority of the interest expenses would be capitalised as a result of such interest expenses directly attributable to the property construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of restricted cash, bank deposits, cash and cash equivalents, debtors, deposits and other receivables and deposits for land acquisition represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group reviews the recoverable amount of debtors, deposits and other receivables and deposits for land acquisition on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In order to minimise the credit risk, management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is limited.

The credit risk on liquid funds is limited because the counterparties are state-owned financial institutions and reputable banks with high credit rankings.

The Group has arranged bank financing for certain purchasers of property units for an amount up to 70% of the total purchase price of the property, and provided guarantees to banks 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 bank holding the mortgage may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(iii) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

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 adjusting and further slowing down the construction plans for properties under development, 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, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table represents both interest and principal 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 2015 | | | | | |
| Borrowings | 36,894,522 | 5,069,412 | 37,889,109 | 2,679,045 | 82,532,088 |
| Accrued construction costs | 14,591,720 | – | – | – | 14,591,720 |
| Other payables | 5,287,570 | – | – | – | 5,287,570 |
| Amounts due to non-controlling interests of subsidiaries | 672,405 | – | – | – | 672,405 |
| Total | 57,446,217 | 5,069,412 | 37,889,109 | 2,679,045 | 103,083,783 |

| | 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 2014 | | | | | |
| Borrowings | 61,679,945 | 2,982,967 | 688,145 | 1,753,681 | 67,104,738 |
| Accrued construction costs | 14,118,865 | – | – | – | 14,118,865 |
| Other payables | 3,787,568 | – | – | – | 3,787,568 |
| Amounts due to non-controlling interests of subsidiaries | 672,318 | – | – | – | 672,318 |
| Total | 80,258,696 | 2,982,967 | 688,145 | 1,753,681 | 85,683,489 |

As disclosed in note 21(f), the Group was technically in breach of certain restrictive covenants during the years ended 31 December 2014 and 2015. Given that the Group's creditors have the unconditional right to call in the borrowings at any time in the events of default and potential default and therefore, for the purpose of the above maturity profile, these amounts were classified under "On demand or within 1 year".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 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 disclosed in note 21 and equity attributable to equity holders 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 prepared 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 cash equivalents, 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 2015 and 2014 were as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|--|--------------------|-----------------|
| Total borrowings (note 21) | 72,118,169 | 65,722,998 |
| Less: Cash and cash equivalents (note 18), bank deposits (note 18) and restricted cash (note 18) | (3,309,402) | (4,464,000) |
| Net debt | 68,808,767 | 61,258,998 |
| Total equity | 13,199,645 | 14,448,979 |
| Gearing ratio | 521.29% | 423.97% |

The gearing ratio for 2015 was higher than that for 2014 as a result of the increase the Group's net debt and the decrease in the Group's equity attributable to the owners of the Company as a result of the loss recorded for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)**3.3 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).

The carrying amounts of the Group's current financial assets, including debtors, deposits and other receivables, deposits for land acquisition, restricted cash, short-term bank deposits, long-term bank deposits and cash and cash equivalents, and the Group's current financial liabilities including current borrowings, accrued construction costs, other payables and amounts due to non-controlling interests of subsidiaries approximate their fair values 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.

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.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. For disclosures of investment properties that are measured at fair value in note 7.

The following table presents the Group's financial assets/(liabilities) that are measured at fair value at 31 December 2015 and 2014.

| | 2015 Assets RMB'000 | 2015 Liabilities RMB'000 | 2014 Assets RMB'000 | 2014 Liabilities RMB'000 |
|--|---------------------------|--------------------------------|---------------------------|--------------------------------|
| Level 2 | | | | |
| Available-for-sale financial assets | 10,000 | — | 56,823 | — |
| Financial derivatives from forward exchange contract | — | — | 627 | (34,735) |
| | 10,000 | — | 57,450 | (34,735) |

There were no transfers between level 1, 2 and 3 during the year.

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 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.

4.1 Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in the statement of profit or loss and other comprehensive income. It obtains independent valuations at least annually. In making the judgment, 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 7.

As at 31 December 2015, the aggregate value of RMB20,738,703,000 (2014: RMB16,256,160,000) are stated at fair value based on the valuation performed by independent professional valuers.

4.2 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 net 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 judgment and estimates.

As at 31 December 2015, based on management's best estimates, the Group has made a provision of RMB1,788,030,000 (2014: RMB1,979,480,000) for properties under development and completed properties held for sale.

4.3 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 net 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 judgment and estimates.

As at 31 December 2015 and 2014, based on management's best estimates, there was no provision has been provided for prepayments for proposed development projects and deposits for land acquisitions.

4.4 Impairment of property and equipment and land use right

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

As at 31 December 2015, based on management's best estimates, the Group has made a provision of RMB164,452,000 (2014: RMB164,452,000) for property and equipment and land use rights.

4.5 Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

Significant judgment is required in determining the provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**4.5 Income taxes, land appreciation taxes, withholding taxes and deferred income taxes** (Continued)

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 development projects. Accordingly, significant judgment is required in determining the amount of the land appreciation tax and its related taxes. The Group recognised 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 expenses and tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred income 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 income tax liabilities would have been increased by the same amount of approximately RMB395,080,000 (2014: RMB471,150,000).

Deferred income 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.

5. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company. The executive directors reviewed 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 profit before changes in fair value of financial derivatives, corporate and other unallocated expenses, loss arising from the Incident, finance income, finance costs and income tax expenses.

The executive directors considered the business from services perspective. From services perspective, the management assessed the performance of sales of properties, rental income, property management services, hotel and catering operations and cinema, department store and cultural centre operations and regards these being the reportable segments. No geographical segment analysis is presented as the majority of the assets and operation of the Group were located in the PRC, which is considered as one geographical location in an economic environment with similar risk and returns.

Revenue for the year consists of the following:

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-------------------|-----------------|
| Sales of properties | | |
| – Completed properties held for sale | 10,230,515 | 16,289,809 |
| – Properties under development/held for sale and proposed development projects | 61,380 | 2,713,860 |
| Rental income | 232,180 | 234,112 |
| Property management services | 224,089 | 227,525 |
| Hotel and catering operations | 67,274 | 66,115 |
| Cinema, department store and cultural centre operations | 111,097 | 68,755 |
| | 10,926,535 | 19,600,176 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2015 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 | Total RMB'000 |
|--|------------------------------------|-----------------------------------|-----------------------------------|--|---|------------------|
| Revenue | 10,291,895 | 244,450 | 450,106 | 71,403 | 113,251 | 11,171,105 |
| Less: inter-segment revenue | – | (12,270) | (226,017) | (4,129) | (2,154) | (244,570) |
| Revenue from external customers | 10,291,895 | 232,180 | 224,089 | 67,274 | 111,097 | 10,926,535 |
| Segment results before changes in fair value of investment properties and share of results from associates | (1,479,395) | 68,028 | 37,296 | (69,933) | 9,004 | (1,435,000) |
| Share of results from associates (note 9) | (3,586) | – | – | – | – | (3,586) |
| Changes in fair value of investment properties (note 7) | – | 3,824,520 | – | – | – | 3,824,520 |
| Segment results | (1,482,981) | 3,892,548 | 37,296 | (69,933) | 9,004 | 2,385,934 |
| Changes in fair value of financial derivatives (note 16) | | | | | | (42,219) |
| Corporate and other unallocated expenses | | | | | | (63,550) |
| Finance income | | | | | | 10,717 |
| Finance costs | | | | | | (2,117,161) |
| Finance costs – net (note 29) | | | | | | (2,106,444) |
| Profit before income tax | | | | | | 173,721 |
| Income tax expenses (note 32) | | | | | | (1,428,205) |
| Loss for the year | | | | | | (1,254,484) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. 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 | Unallocated RMB'000 | Total RMB'000 |
|---|------------------------------------|-----------------------------------|-----------------------------------|--|---|------------------------|------------------|
| Other information: | | | | | | | |
| Depreciation (note 6) | 47,066 | 6,142 | 7,627 | 33,436 | 9,954 | 616 | 104,841 |
| Amortisation of land use rights (note 8) | 680 | – | – | 2,195 | 3,411 | – | 6,286 |
| Write-down of completed properties held for sale and properties under development (note 27) | 240,276 | – | – | – | – | – | 240,276 |

| | 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 | Elimination RMB'000 | Total RMB'000 |
|-------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|--|---|------------------------|--------------------|
| Segment assets | 230,715,816 | 15,261,027 | 2,202,259 | 2,402,689 | 404,888 | (123,780,368) | 127,206,311 |
| Unallocated | | | | | | | 340,364 |
| Total assets | | | | | | | 127,546,675 |
| Segment liabilities | 151,056,825 | 2,167,609 | 1,568,503 | 1,457,390 | 319,788 | (121,498,966) | 35,071,149 |
| Unallocated | | | | | | | 79,275,881 |
| Total liabilities | | | | | | | 114,347,030 |
| Other information: | | | | | | | |
| Capital expenditure (notes 6, 7) | 17,570 | 661,649 | 1,236 | 2,074 | 1,289 | – | 683,818 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2014 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 | Total RMB'000 |
|--|------------------------------------|-----------------------------------|-----------------------------------|--|---|------------------|
| Revenue | 19,003,669 | 265,801 | 530,734 | 80,307 | 72,591 | 19,953,102 |
| Less: inter-segment revenue | – | (31,689) | (303,209) | (14,192) | (3,836) | (352,926) |
| Revenue from external customers | 19,003,669 | 234,112 | 227,525 | 66,115 | 68,755 | 19,600,176 |
| Segment results before changes in fair value of investment properties and share of results from associates | (693,175) | 87,185 | 23,268 | (136,750) | (68,232) | (787,704) |
| Share of results from associates (note 9) | (634) | – | – | – | – | (634) |
| Changes in fair value of investment properties (note 7) | – | 3,626,772 | – | – | – | 3,626,772 |
| Segment results | (693,809) | 3,713,957 | 23,268 | (136,750) | (68,232) | 2,838,434 |
| Changes in fair value of financial derivatives (note 16) | | | | | | (85,772) |
| Corporate and other unallocated expenses | | | | | | (53,294) |
| Loss arising from the Incident | | | | | | (482,736) |
| Finance income | | | | | | 25,039 |
| Finance costs | | | | | | (775,804) |
| Finance costs – net (note 29) | | | | | | (750,765) |
| Profit before income tax | | | | | | 1,465,867 |
| Income tax expenses (note 32) | | | | | | (2,765,935) |
| Loss for the year | | | | | | (1,300,068) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. 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 | Unallocated RMB'000 | Total RMB'000 |
|--|------------------------------------|-----------------------------------|-----------------------------------|--|---|------------------------|--------------------|
| Other information: | | | | | | | |
| Depreciation (note 6) | 32,446 | 4,325 | 4,212 | 33,287 | 16,759 | 9,548 | 100,577 |
| Amortisation of land use rights (note 8) | 1,897 | – | – | 1,706 | 2,413 | – | 6,016 |
| Impairment loss on property and equipment and land use rights (note 27) | 84,113 | – | – | 47,515 | 32,824 | – | 164,452 |
| Write-down of completed properties held for sale and properties under development (note 27) | 1,673,218 | – | – | – | – | – | 1,673,218 |
| | | | | | | | |
| | 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 | Elimination RMB'000 | Total RMB'000 |
| Segment assets | 197,324,504 | 16,127,413 | 2,407,374 | 538,702 | 328,697 | (96,462,512) | 120,264,178 |
| Unallocated | | | | | | | 378,781 |
| Total assets | | | | | | | 120,642,959 |
| Segment liabilities | 125,296,829 | 3,301,801 | 1,116,918 | 235,627 | 218,220 | (95,819,556) | 34,349,839 |
| Unallocated | | | | | | | 71,844,141 |
| Total liabilities | | | | | | | 106,193,980 |
| Other information: | | | | | | | |
| Capital expenditure (notes 6, 7, 8) | 24,101 | 2,146,026 | 4,858 | 47,652 | 29,369 | – | 2,252,006 |
| Unallocated | | | | | | | 11,958 |
| | | | | | | | 2,263,964 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(Continued)*

No material revenues are derived from any single external customer (2014: none).

Segment assets consist primarily of property and equipment, investment properties, land use rights, investments in associates, properties under development, completed properties held for sale, 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 cash equivalents. They exclude available-for-sale financial assets, financial derivatives, deferred income tax assets and prepaid taxes.

Segment liabilities consist primarily of advance proceeds received from customers and deposits received, accrued construction costs, operating borrowings, other payables and amounts due to non-controlling interests of subsidiaries. They exclude deferred income tax liabilities, financial derivatives, income tax payable and corporate borrowings.

6. PROPERTY AND EQUIPMENT

| | Hotel properties RMB'000 | Buildings RMB'000 | Motor vehicles RMB'000 | Furniture, fitting and equipment RMB'000 | Total RMB'000 |
|--|--------------------------------|----------------------|------------------------------|---|------------------|
| At 1 January 2014 | | | | | |
| Cost | 119,464 | 322,547 | 70,656 | 232,051 | 744,718 |
| Accumulated depreciation | (6,935) | (29,485) | (39,778) | (88,992) | (165,190) |
| Net carrying amounts | 112,529 | 293,062 | 30,878 | 143,059 | 579,528 |
| At 1 January 2014 | | | | | |
| Opening net carrying amounts | 112,529 | 293,062 | 30,878 | 143,059 | 579,528 |
| Transfer from properties under development | 315,509 | – | – | – | 315,509 |
| Transfer from investment properties (note 7) | – | 156,869 | – | – | 156,869 |
| Transfer to investment properties (note 7) | – | (100,500) | – | – | (100,500) |
| Acquisitions of subsidiaries (note 38(b)) | – | – | 844 | 974 | 1,818 |
| Additions | – | – | 14,928 | 129,718 | 144,646 |
| Disposals | – | – | (1,527) | (2,213) | (3,740) |
| Disposal of subsidiaries | – | – | (383) | (1,000) | (1,383) |
| Impairment | (33,469) | (66,307) | – | (44,215) | (143,991) |
| Depreciation (note 28) | (11,072) | (11,547) | (12,874) | (65,084) | (100,577) |
| Closing net carrying amounts | 383,497 | 271,577 | 31,866 | 161,239 | 848,179 |
| At 31 December 2014 | | | | | |
| Cost | 434,973 | 378,916 | 78,269 | 356,698 | 1,248,856 |
| Accumulated depreciation and impairment | (51,476) | (107,339) | (46,403) | (195,459) | (400,677) |
| Net carrying amounts | 383,497 | 271,577 | 31,866 | 161,239 | 848,179 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT (Continued)

| | Hotel properties RMB'000 | Buildings RMB'000 | Motor vehicles RMB'000 | Furniture, fitting and equipment RMB'000 | Total RMB'000 |
|---|--------------------------------|----------------------|------------------------------|---|------------------|
| At 1 January 2015 | | | | | |
| Opening net carrying amounts | 383,497 | 271,577 | 31,866 | 161,239 | 848,179 |
| Additions | – | – | 3,393 | 22,402 | 25,795 |
| Disposals | – | – | (8,477) | (485) | (8,962) |
| Depreciation (note 28) | (17,382) | (14,936) | (7,856) | (64,667) | (104,841) |
| Closing net carrying amounts | 366,115 | 256,641 | 18,926 | 118,489 | 760,171 |
| At 31 December 2015 | | | | | |
| Cost | 434,973 | 378,916 | 61,085 | 374,681 | 1,249,655 |
| Accumulated depreciation and impairment | (68,858) | (122,275) | (42,159) | (256,192) | (489,484) |
| Net carrying amounts | 366,115 | 256,641 | 18,926 | 118,489 | 760,171 |

As at 31 December 2015, the Group's certain hotel properties and buildings with net carrying amounts of approximately RMB324,438,000 (2014: RMB356,913,000) were pledged as collateral for the Group's borrowings (note 21).

As at 31 December 2015, the net carrying amounts of property and equipment of approximately RMB229,237,000 in aggregate were partially restricted. As at the date of approval of this report, these restrictions have been fully released.

Depreciation of RMB104,841,000 (2014: RMB100,577,000) has been charged in administrative expenses during the year.

There was no impairment loss provided for the year ended 31 December 2015.

During the year ended 31 December 2014, in view of the continuously unsatisfactory result of the Group's certain catering operations, the directors have performed an impairment review of furniture, fitting and equipment. Accordingly, an impairment loss of approximately RMB44,215,000 was recognised in respect of furniture, fitting and equipment for the year ended 31 December 2014.

In additions, during the year ended 31 December 2014, in view that the hotels and cinema operations cash generating units ("CGUs") of the Group, were making recurring losses, the directors of the Company have reviewed the recoverability of the carrying amount of the Group's hotel properties and buildings. The recoverable amounts of the assets and liabilities of the CGUs had been determined on the basis of the value in use of the CGUs. The discount rate in measuring the amounts of value in use was 9.51%. The directors determined that the carrying amounts of the hotels and buildings CGUs exceeded their recoverable amounts. Accordingly, an impairment loss on the hotel and buildings of approximately RMB33,469,000 and RMB66,307,000 was recognised in profit or loss, respectively for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENT PROPERTIES

| | Under construction RMB'000 | Completed RMB'000 | Total RMB'000 |
|--|----------------------------------|----------------------|-------------------|
| At 1 January 2014 | 6,082,000 | 3,513,200 | 9,595,200 |
| Additions | 2,119,318 | – | 2,119,318 |
| Transfer from completed properties held for sale | – | 986,201 | 986,201 |
| Transfer from property and equipment (note 6) | – | 100,500 | 100,500 |
| Transfer from land use rights (note 8) | – | 51,331 | 51,331 |
| Transfer to properties under development | (9,355) | – | (9,355) |
| Transfer to property and equipment (note 6) | – | (156,869) | (156,869) |
| Transfer to land use rights (note 8) | – | (56,938) | (56,938) |
| Transfer upon completion | (327,000) | 327,000 | – |
| Increase in fair value | 2,912,040 | 714,732 | 3,626,772 |
| At 31 December 2014 and 1 January 2015 | 10,777,003 | 5,479,157 | 16,256,160 |
| Additions | 658,023 | – | 658,023 |
| Transfer upon completion | (1,578,200) | 1,578,200 | – |
| Increase in fair value | 2,934,238 | 890,282 | 3,824,520 |
| At 31 December 2015 | 12,791,064 | 7,947,639 | 20,738,703 |

The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties:

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-----------------|-----------------|
| Rental income | 193,328 | 197,211 |
| Direct operating expenses arising from investment properties that generate rental income | 24,129 | 41,807 |

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.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between the management, audit committee and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENT PROPERTIES (Continued)**Valuation processes of the Group** (Continued)

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

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' interpretation 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.

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 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.

There were no changes to the valuation techniques during the year.

Significant inputs used to determine fair value

As at 31 December 2015, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

| | 2015 | 2014 |
|---------------------------------------|--------------------|-------------|
| Capitalisation rate | 3.0%-6.5% | 4.0%-6.5% |
| Discount rate | 4.75% | 5.6%-6.0% |
| Expected vacancy rate | 0.0%-10.0% | 0.0%-10.0% |
| Monthly rental (RMB/sqm/month) | 57-540 | 27-530 |
| Budgeted construction cost (RMB/sqm) | 5,477-7,839 | 2,500-6,500 |
| Anticipated developer's profit margin | 5.0%-20.0% | 15.0%-30.0% |

Capitalisation and discount rates are estimated by valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents per square meter are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENT PROPERTIES (Continued)**Valuation techniques** (Continued)

Estimated costs per square meter to completion and developer's profit margin required are estimated by the valuer based on market conditions at 31 December 2015. 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 and the margins, the lower the fair value.

As at 31 December 2015 and 2014, the Group's investment properties are measured at level 3 category of fair value measurement and during the year ended 31 December 2015, there were no transfer into or out of level 3.

The Group's interests in investment properties are analysed as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|----------------------------------|-------------------|-----------------|
| In the PRC, held on: | | |
| Leases of between 10 to 50 years | 20,738,703 | 16,256,160 |

As at 31 December 2015, the investment properties with fair value totaling RMB11,709,238,000 (2014: RMB4,953,633,000) were pledged as collateral for the Group's borrowings (note 21).

As at 31 December 2015, the fair value of investment properties of approximately RMB480,729,000 in aggregate were partially restricted. As at the date of approval of this report, these restrictions have been fully released.

8. LAND USE RIGHTS

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-----------------|-----------------|
| At beginning of year | 169,228 | 165,342 |
| Transfer from properties under development | – | 24,756 |
| Transfer from investment properties (note 7) | – | 56,938 |
| Transfer to investment properties (note 7) | – | (51,331) |
| Impairment | – | (20,461) |
| Amortisation – expensed in administrative expenses (note 28) | (6,286) | (6,016) |
| At end of year | 162,942 | 169,228 |
| In PRC, held on: | | |
| Leases of over 50 years | 27,018 | 27,704 |
| Leases of between 10-50 years | 135,924 | 141,524 |
| At end of year | 162,942 | 169,228 |

As at 31 December 2015, land use rights with net carrying amounts totaling RMB52,162,000 (2014: RMB53,970,000) were pledged as collateral for the Group's borrowings (note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENTS IN ASSOCIATES

| | 2015 RMB'000 | 2014 RMB'000 |
|----------------------------------|-----------------|-----------------|
| At 1 January | 778,461 | – |
| Additions | 8,300 | 779,095 |
| Share of results from associates | (3,586) | (634) |
| At 31 December | 783,175 | 778,461 |

Set out below is the associate of the Group as at 31 December 2015, which in the opinion of the directors, is material to the Group. The associate as listed below has share capital consisting solely of registered capital, which is held directly by the Group.

The following table contains only the particulars of a material associate as at 31 December 2015, which is unlisted corporate entity whose quoted market price is not available:

| Name of entity | Place of business/ country of establishment | Attributable equity interest held by the Group | Nature of the relationship | Measurement method |
|--|---|--|-------------------------------|-----------------------|
| Xing Huo Ju Long Technology Investment Co., Ltd. ("Xing Huo") 星火巨龍科技投資有限公司(「星火」) | PRC | 49% | Note | Equity |

Note: Xing Huo is engaged in property investment in the PRC. Xing Huo is a strategic partner for the Group's growth in the property development business in the PRC.

There are no contingent liabilities relating to the Group's interest in the associates.

Summarised financial information of Xing Huo, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

| | Xing Huo 2015 RMB'000 | 2014 RMB'000 |
|---------------------|-----------------------------|-----------------|
| Current assets | 7,185 | 7,911 |
| Current liabilities | (197,738) | (196,776) |
| Non-current assets | 235,925 | 235,442 |
| Net assets | 45,372 | 46,577 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information for the associate

Summarised statement of profit or loss and other comprehensive income

| | Xing Huo | |
|-------------------|-----------------|---------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Loss for the year | (1,205) | — |

The information above reflects the amounts presented in the financial statements of Xing Huo (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of the interests in Xing Huo recognised in the consolidated financial statements:

| | Xing Huo | |
|---|-----------------|---------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Net assets of Xing Huo | 45,372 | 46,577 |
| Carrying amount of the Group's interest in Xing Huo (49%) | 22,232 | 22,823 |
| Fair value adjustments on a leasehold land | 733,772 | 733,772 |
| Carrying amount of the Group's interest in Xing Huo | 756,004 | 756,595 |

Set out below are the aggregate financial information of associates that are not individually material:

| | 2015 | 2014 |
|---|----------------|---------|
| | RMB'000 | RMB'000 |
| The Group's share of losses for the year | (2,996) | (634) |
| Aggregate carrying amounts of the Group's interests in these associates | 27,171 | 21,866 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTIES UNDER DEVELOPMENT

| | 2015 RMB'000 | 2014 RMB'000 |
|--|--------------------|-----------------|
| Amount comprises: | | |
| Construction costs | 17,321,518 | 22,013,117 |
| Interest capitalised | 9,356,596 | 6,574,128 |
| Land use rights | 38,250,878 | 42,033,972 |
| | 64,928,992 | 70,621,217 |
| Less: Provision for properties under development | (1,067,257) | (1,285,382) |
| | 63,861,735 | 69,335,835 |

The properties under development are all located in the PRC.

For the year ended 31 December 2015, RMB11,998,000 (2014: RMB1,035,582,000) of properties under development was impaired to reflect the decrease in net realisable value of certain properties under development (note 27).

As at 31 December 2015, the net carrying amounts of properties under development of approximately RMB42,234,238,000 (2014: RMB37,255,601,000) were pledged as collateral for the Group's borrowings (note 21).

As at 31 December 2015, the net carrying amounts of properties under development of approximately RMB11,832,654,000 in aggregate were partially restricted. As at the date of approval of this report, these restrictions have been fully released, except for 2 projects with the aggregate carrying amount of RMB1,593,863,000 which were remained partially restricted.

11. COMPLETED PROPERTIES HELD FOR SALE

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-------------------|-----------------|
| Completed properties held for sale | 18,383,785 | 12,014,729 |
| Less: Provision for completed properties held for sale | (720,773) | (694,098) |
| | 17,663,012 | 11,320,631 |

Completed properties held for sale are all located in the PRC.

For the year ended 31 December 2015, RMB228,278,000 (2014: RMB637,636,000) of completed properties held for sale was impaired to reflect the decrease in net realisable value of certain completed properties (note 27).

As at 31 December 2015 and 2014, the net carrying amounts of completed properties held for sale of approximately RMB2,293,416,000 (2014: RMB1,539,886,000) were pledged as collateral for the Group's bank borrowings (note 21).

As at 31 December 2015, the net carrying amounts of completed properties held for sale of approximately RMB1,190,296,000 in aggregate were partially restricted. As at the date of approval of this report, these restrictions have been fully released.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-----------------|-----------------|
| Unlisted equity investments stated at cost | 10,000 | 56,823 |

Unlisted equity investments as at 31 December 2015 represented approximately 20% equity interest in Shenzhen Gengxin Management Partnership (Limited Partnership) ("Shenzhen Gengxin"), a partnership in the PRC. Shenzhen Gengxin has a registered capital of RMB50 million. The Company did not have significant influence over Shenzhen Gengxin as at 31 December 2015 because of limited nomination rights relative to other shareholders.

Unlisted investments as at 31 December 2014 represented approximately 4.37% equity interest and in CertusNet Inc. ("CertusNet"), a company incorporated in the PRC. CertusNet has a registered capital of RMB75 million. The Company did not have significant influence over CertusNet as at 31 December 2014 because of limited nomination rights relative to other shareholders. The Group disposed all its equity interest in CertusNet to an independent third party in March 2015.

13. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

| | 2015 RMB'000 | 2014 RMB'000 |
|----------------------------|------------------|-----------------|
| Trade receivables (note a) | 625,756 | 720,331 |
| Other receivables | 1,841,949 | 701,319 |
| Other deposits | 349,360 | 307,033 |
| Prepayments (note b) | 1,978,988 | 1,346,722 |
| Prepaid other taxes | 561,782 | 621,809 |
| | 5,357,835 | 3,697,214 |

As at 31 December 2015, the carrying amounts of debtors, deposits and other receivables approximates their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

- (a) Trade receivables mainly arose 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 receivables as at the respective reporting dates is as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|----------------|-----------------|-----------------|
| Within 90 days | 186,102 | 524,245 |
| 91-180 days | 7 | 26,561 |
| 181-270 days | 98 | 89,322 |
| 271-365 days | 187 | 5,607 |
| Over 365 days | 439,362 | 74,596 |
| | 625,756 | 720,331 |

Included in the Group's trade receivables balances of RMB6,130,000 and nil as at 31 December 2015 and 2014, respectively, were not yet due. The balances represented receivables from sales of commercial and residential properties, properties under development/held for sale and proposed development projects from independent third parties. These receivables were repayable within one year after the completion of certain legal documents, which were expected to be settled in the next year.

Ageing of trade receivables which were past due but not impaired:

| | 2015 RMB'000 | 2014 RMB'000 |
|-----------------------------|-----------------|-----------------|
| Overdue within 90 days | 179,972 | 524,245 |
| Overdue within 91-180 days | 7 | 26,561 |
| Overdue within 181-270 days | 98 | 89,322 |
| Overdue within 271-365 days | 187 | 5,607 |
| Overdue over 365 days | 439,362 | 74,596 |
| | 619,626 | 720,331 |

Receivables that were past due but not impaired related to the balances primarily represented receivables from sales of residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans. Generally, no credit terms were granted to these customers. These relate to a number of independent customers for whom there was no recent history of default.

Up to the date of approval of these financial statements, the amounts of RMB552,610,000 and RMB685,371,000 of the trade receivables as at 31 December 2015 and 2014 have been settled, respectively.

- (b) Prepayments mainly represent prepayments for purchase of construction materials and services.
- (c) The maximum credit risk exposure is the amount shown on the consolidated statement of financial position.
- (d) The carrying amounts of the Group's receivables are mainly denominated in Renminbi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. 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.

As at 31 December 2015, the net carrying amounts of deposits for land acquisition of approximately RMB2,763,183,000 in aggregate were partially restricted. As at the date of approval of this report, these restrictions have been fully released.

15. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas, transfer of projects 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.

16. FINANCIAL DERIVATIVES

| | 2015 Assets RMB'000 | 2015 Liabilities RMB'000 | 2014 Assets RMB'000 | 2014 Liabilities RMB'000 |
|---|---------------------------|--------------------------------|---------------------------|--------------------------------|
| Measured at fair value and included in the consolidated statement of financial position as current assets or liabilities: | | | | |
| Forward foreign exchange contracts | – | – | 627 | 34,735 |

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2014 was RMB2,117,209,000.

During the year ended 31 December 2015, the Group has not made repayment in the outstanding liabilities upon the maturity of the forward foreign exchange contracts which has given rise to an event of default under the agreements with the counterparty. Accordingly, the financial derivatives with carrying amount of US\$12,466,730 (equivalent to RMB76,256,000) was reclassified to financial liabilities at amortised costs.

17. RESTRICTED CASH

Restricted cash mainly comprised of:

- In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for construction materials and construction fees of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2015, such guarantee deposits amounted to RMB695,272,000 (2014: RMB400,915,000). They will be released after pre-sale properties are completed or their property ownership certificates are issued, whichever is the earlier.
- As at 31 December 2015, the Group's cash of RMB257,717,000 (2014: RMB657,195,000) was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities (note 36) granted by the banks to the purchasers of the Group's properties.
- As at 31 December 2015, the Group's cash of RMB16,414,000 (2014: RMB20,181,000) was deposited in certain banks as guarantee deposits for issuance of notes payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. RESTRICTED CASH, BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

| | 2015 RMB'000 | 2014 RMB'000 |
|---------------------------|-----------------|-----------------|
| Restricted cash (note 17) | 969,403 | 1,078,291 |
| Long-term bank deposits | 1,479 | 64,695 |
| Short-term bank deposits | 13,974 | 189,860 |
| Cash and cash equivalents | 2,324,546 | 3,131,154 |
| Cash and bank balances | 3,309,402 | 4,464,000 |

Note:

The effective interest rates and maturities of bank deposits in the PRC are ranged from 2.5% to 5.23% (2014: 0.2% to 4.40%) per annum and from 12 to 51 months (2014: 4 to 24 months) as at 31 December 2015.

Cash and bank balances are denominated in the following currencies:

| | 2015 RMB'000 | 2014 RMB'000 |
|---------------------------------|-----------------|-----------------|
| Denominated in – RMB | 3,181,612 | 4,077,088 |
| Denominated in – HKD | 98,792 | 53,977 |
| Denominated in – USD | 28,998 | 332,935 |
| Less: Restricted cash (note 17) | (969,403) | (1,078,291) |
| Less: Long-term bank deposits | (1,479) | (64,695) |
| Less: Short-term bank deposits | (13,974) | (189,860) |
| Cash and cash equivalents | 2,324,546 | 3,131,154 |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. SHARE CAPITAL AND SHARE PREMIUM

| | Notes | 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 HK\$0.10 each | | | | | | |
| At 1 January 2014, | | | | | | |
| 31 December 2014 and 2015 | | 50,000,000,000 | 5,000,000 | 4,405,545 | – | 4,405,545 |
| Issue and fully paid: | | | | | | |
| At 1 January 2014 | | 4,929,515,000 | 492,952 | 434,139 | 3,861,789 | 4,295,928 |
| Exercise of share options | (a) | 125,803,000 | 12,580 | 9,957 | 227,994 | 237,951 |
| Issue of scrip dividend shares | (b) | 80,109,910 | 8,011 | 6,354 | 163,921 | 170,275 |
| At 31 December 2014 and 2015 | | 5,135,427,910 | 513,543 | 450,450 | 4,253,704 | 4,704,154 |

Notes:

- (a) For the year ended 31 December 2014, 125,803,000 shares were issued upon exercise of share options. Total proceeds were HK\$216,644,000 (equivalent to approximately RMB171,478,000). The weighted average share price at the time of exercise was HK\$2.75 per share. The related transactions costs were deducted from the proceeds received.
- (b) The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive ordinary shares of HK\$0.15 each in lieu of cash dividend during the following special cash dividend declaration and ordinary shares were issued in accordance with the scrip dividend scheme. On 29 May 2014, total scrip dividend shares issued during the year ended 31 December 2014 were 80,109,910 at share price of HK\$2.68 per share.

All ordinary shares issued during the year ranked pari passu in all respects with the existing shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RESERVES

| | Merger reserve | Exchange reserve | Statutory reserves | Share option reserve | Capital reserve | Conversion option reserve | Retained earnings | Total |
|--|-------------------|---------------------|-----------------------|----------------------------|--------------------|---------------------------------|----------------------|-------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (note a) | | (note b) | (note c) | | (note 21(b)) | | |
| Balance as at 1 January 2014, as restated | 382 | 24,835 | 573,478 | 154,517 | (394,415) | 220,824 | 11,389,389 | 11,969,010 |
| Total comprehensive loss for the year | – | – | – | – | – | – | (1,287,484) | (1,287,484) |
| Issue of scrip dividend shares | – | – | – | – | – | – | (170,275) | (170,275) |
| Dividend paid | – | – | – | – | – | – | (420,772) | (420,772) |
| Acquisition of additional interest in a subsidiary (note 38(a)) | – | – | – | – | (92,632) | – | – | (92,632) |
| Disposal of interests in subsidiaries (note 39) | – | – | (786) | – | – | – | – | (786) |
| Exercise of share options (note 19(a)) | – | – | – | (66,473) | – | – | – | (66,473) |
| Share-based payments (note c) | – | – | – | 28,229 | – | – | – | 28,229 |
| Share options lapsed | – | – | – | (11,107) | – | – | 11,107 | – |
| Transfer to statutory reserves | – | – | 185,351 | – | – | – | (185,351) | – |
| Balance as at 31 December 2014 | 382 | 24,835 | 758,043 | 105,166 | (487,047) | 220,824 | 9,336,614 | 9,958,817 |
| Total comprehensive loss for the year | – | – | – | – | – | – | (1,121,577) | (1,121,577) |
| Share-based payments (note c) | – | – | – | 8,150 | – | – | – | 8,150 |
| Share options lapsed | – | – | – | (57,988) | – | – | 57,988 | – |
| Transfer to statutory reserves | – | – | 76,487 | – | – | – | (76,487) | – |
| Balance as at 31 December 2015 | 382 | 24,835 | 834,530 | 55,328 | (487,047) | 220,824 | 8,196,538 | 8,845,390 |

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 10% and 5% to 10% of the profit for the year after setting 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 are 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 2015, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB76,487,000 (2014: RMB185,351,000) 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 40).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. BORROWINGS

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|-------|-------------------|-----------------|
| Borrowings included in non-current liabilities: | | | |
| Bank borrowings – secured | (c) | 24,998,806 | 2,722,000 |
| Bank borrowings – unsecured | (c) | 1,270,000 | 244,896 |
| Loans from a related company | (d) | 1,377,000 | 1,500,000 |
| Other borrowings – secured | (c) | 10,299,344 | – |
| Other borrowings – unsecured | (c) | 460,000 | – |
| | | 38,405,150 | 4,466,896 |
| Borrowings included in current liabilities: | | | |
| Bank borrowings – secured | (c) | 4,515,156 | 15,479,000 |
| Bank borrowings – unsecured | (c) | 2,609,467 | 5,306,603 |
| Other borrowings – secured | (c) | 5,983,299 | 20,585,517 |
| Other borrowings – unsecured | (c) | 1,380,730 | 4,557,389 |
| Loans from a related company | (d) | 1,500,000 | – |
| Senior Notes | (a) | 16,098,577 | 13,890,208 |
| Convertible Bonds | (b) | 1,625,790 | 1,437,385 |
| | | 33,713,019 | 61,256,102 |
| Total borrowings | | 72,118,169 | 65,722,998 |

Notes:

(a) Senior Notes

Movements in Senior Notes are analysed as follows:

| | Senior Note 2012 RMB'000 | Senior Note January 2013 RMB'000 | Senior Note March 2013 RMB'000 | Senior Note April 2013 RMB'000 | Senior Note January 2014 RMB'000 | Senior Note June 2014 RMB'000 | Total RMB'000 |
|--|--------------------------------|--|--------------------------------------|--------------------------------------|--|-------------------------------------|------------------|
| Carrying amount as at 1 January 2014 | 1,538,556 | 3,149,137 | 3,397,712 | 1,802,027 | – | – | 9,887,432 |
| Additions | – | – | – | – | 1,505,747 | 2,402,516 | 3,908,263 |
| Accrued interest (note 29) | 208,976 | 321,696 | 310,724 | 134,718 | 179,602 | 131,503 | 1,287,219 |
| Coupon payment | (197,144) | (313,899) | (298,970) | (123,750) | (135,895) | (110,745) | (1,180,403) |
| Exchange difference | 5,977 | 12,489 | 13,552 | – | 6,159 | (11,702) | 26,475 |
| Transaction costs on modification of terms | (5,334) | (10,613) | (11,421) | (6,218) | (5,192) | – | (38,778) |
| Carrying amount as at 31 December 2014 | 1,551,031 | 3,158,810 | 3,411,597 | 1,806,777 | 1,550,421 | 2,411,572 | 13,890,208 |
| Accrued interest (note 29) | 213,312 | 326,297 | 343,349 | 127,471 | 117,372 | 229,790 | 1,357,591 |
| Acceleration of unwinding interest (note 29) | 36,746 | 53,270 | 41,389 | 17,021 | 19,123 | 53,342 | 220,891 |
| Coupon payment | – | (156,887) | – | – | – | – | (156,887) |
| Exchange difference | 105,141 | 198,860 | 223,927 | – | 100,062 | 158,784 | 786,774 |
| Carrying amount as at 31 December 2015 | 1,906,230 | 3,580,350 | 4,020,262 | 1,951,269 | 1,786,978 | 2,853,488 | 16,098,577 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. BORROWINGS (Continued)

Notes: (Continued)

(a) Senior Notes (Continued)

On 18 September 2012, the Company issued additional 12.875% senior note due 2017 in an aggregate principal amount of US\$250,000,000 (equivalent to approximately RMB1,581,225,000) at 100% of face value (the "Senior Note 2012").

On 8 January 2013, the Company issued additional 10.25% senior note due 2020 in an aggregate principal amount of US\$500,000,000 (equivalent to approximately RMB3,142,750,000) at 100% of face value (the "Senior Note January 2013").

On 19 March 2013, the Company issued additional 8.875% senior note due 2018 in an aggregate principal amount of US\$550,000,000 (equivalent to approximately RMB3,457,025,000) at 100% of face value (the "Senior Note March 2013"). On 13 January 2014, the Company issued additional US\$250,000,000 (equivalent to approximately RMB1,524,225,000) at 101% of face value (the "Senior Note January 2014").

On 22 April 2013, the Company issued additional 6.875% senior note due 2016 in an aggregate principal amount of RMB1,800,000,000 at 100% of face value (the "Senior Note April 2013").

On 6 June 2014, the Company issued 9% senior note due 2019 in an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,460,840,000) at 99% of face value (the "Senior Note June 2014").

Senior Note 2012, Senior Note January 2013, Senior Note March 2013, Senior Note April 2013, Senior Note January 2014 and Senior Note June 2014 are collectively referred to as the "Senior Notes".

The net proceeds, after deducting the transaction costs, of Senior Notes are as follows:

| | Senior Note 2012 RMB'000 | Senior Note January 2013 RMB'000 | Senior Note March 2013 RMB'000 | Senior Note April 2013 RMB'000 | Senior Note January 2014 RMB'000 | Senior Note June 2014 RMB'000 |
|-------------------------|--------------------------------|--|--------------------------------------|--------------------------------------|--|-------------------------------------|
| Nominal value | 1,581,225 | 3,142,750 | 3,457,025 | 1,800,000 | 1,524,225 | 2,460,840 |
| Less: transaction costs | (53,070) | (55,654) | (48,133) | (27,681) | (18,478) | (58,324) |
| Net proceeds | 1,528,155 | 3,087,096 | 3,408,892 | 1,772,319 | 1,505,747 | 2,402,516 |

On 29 June 2014, the Company obtained consent from the holders of the Senior Note 2012, the Senior Note January 2013, the Senior Note March 2013, the Senior Note April 2013 and the Senior Note January 2014 to modify certain terms of the senior notes in conforming with the terms of the Senior Note June 2014 (the "Modification"). Consent fees of approximately RMB38,778,000 were paid to the above holders for the Modification and capitalised to the carrying amounts of the respective senior notes during the year ended 31 December 2014.

The Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

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.

During the year ended 31 December 2015, the Company has not made scheduled principal and coupon payment under the terms of the Senior Notes. Given the failure to meet the obligations, the Company received default notices from the trustee of the Senior Notes. Accordingly, the unwinding of interest totalling RMB220,891,000 was accelerated and recognised as finance costs for the year ended 31 December 2015 (note 29). The Company had negotiated with the noteholders on executing debt restructuring, details of which have been disclosed in note (i) below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. BORROWINGS (Continued)

Notes: (Continued)

(b) Convertible Bonds

On 20 December 2010, the Company issued RMB denominated US\$ settled 8.0% convertible bonds (the "Convertible Bonds"), of an initial principal amount of RMB1,500,000,000 (equivalent to approximately US\$225,000,000).

At the option of bond holders, the aggregate amount of RMB1,500,000,000 will be convertible into fully paid shares with a par value of HK\$0.1 each of the Company. The Convertible Bonds will mature in five years (December 2015) from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 30 January 2011 at an initial conversion price of HK\$2.82 per share at a fixed exchange rate of RMB1.00 to HK\$1.1656. The conversion price was adjusted downward to HK\$2.64 per share following the payment of a final dividend during the year ended 31 December 2014.

The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

The Convertible Bonds are secured by the pledge of certain shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in reserves (note 20).

The value of the liability component of RMB1,231,967,000 and the equity conversion component of RMB220,824,000, net of transaction cost of RMB47,209,000, were determined at issuance of the Convertible Bonds.

The Convertible Bonds recognised in the consolidated statement of financial position is calculated as follows:

| | RMB'000 |
|---|------------------|
| Face value of the Convertible Bond on date of issue | 1,500,000 |
| Less: Equity component | (220,824) |
| Transaction costs | (47,209) |
| Liability component on initial recognition | 1,231,967 |

| | 2015 RMB'000 | 2014 RMB'000 |
|--|------------------|------------------|
| Carrying amount as at 1 January | 1,437,385 | 1,377,335 |
| Accrued interest (note 29) | 122,486 | 181,716 |
| Acceleration of unwinding interest (note 29) | 65,919 | – |
| Coupon payment | – | (121,666) |
| Carrying amount as at 31 December | 1,625,790 | 1,437,385 |

Interest expenses on the liability component of the Convertible Bonds are calculated using the effective interest method, applying the effective interest rate of 8.0% (2014: 13.1%) per annum to the liability component.

During the year ended 31 December 2015, the Company has not made scheduled principal and coupon payment under the terms of the Convertible Bonds. Given the failure to meet the obligations, the Company received default notices from the trustee of the Convertible Bonds. Accordingly, the unwinding of interest totalling RMB65,919,000 was accelerated and recognised as finance costs for the year ended 31 December 2015 (note 29). The Company had negotiated with the bondholders on executing debt restructuring, details of which have been disclosed in note (i) below.

There was no conversion and redemption during the years ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. BORROWINGS (Continued)

Notes: (Continued)

(c) Bank and other borrowings

The Group's bank and other borrowings of RMB45,796,605,000 (2014: RMB38,786,517,000) were jointly secured by certain properties, investment properties, land use rights, properties under development and properties held for sale of the Group (notes 6, 7, 8, 10 and 11) and shares of certain of the Group's subsidiaries.

The Group's bank and other borrowings are guaranteed by:

| | 2015 RMB'000 | 2014 RMB'000 |
|-----------------|-------------------|-----------------|
| Group companies | | |
| – Secured | 43,569,605 | 28,864,518 |
| – Unsecured | 3,396,704 | 7,895,230 |
| | 46,966,309 | 36,759,748 |

The Group's remaining other borrowings comprised of the loans from certain non-bank financial institutions.

During the year ended 31 December 2015, the Group failed to make scheduled principal and interest payment under the relevant terms and conditions of certain bank and other borrowings and received notices from certain creditors in demanding immediate repayment of the bank and other borrowings. The Group had negotiated with the relevant creditors on executing debt restructuring, details of which have been disclosed in note (i).

(d) Loans from a related company

The amounts due are unsecured, carrying interest rate at 12.0% per annum and repayable in 2016 and 2017. The related company is controlled by a substantial shareholder of the Company.

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, are as follows:

| | 6 months or less RMB'000 | 6-12 months RMB'000 | 1-5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---------------------|-----------------------------|------------------------|----------------------|-------------------------|------------------|
| Group | | | | | |
| At 31 December 2015 | 16,350,555 | 4,656,157 | 50,299,457 | 812,000 | 72,118,169 |
| At 31 December 2014 | 14,563,245 | 21,845,916 | 25,455,026 | 3,858,811 | 65,722,998 |

(f) Breach of restrictive covenants of the borrowings

Pursuant to the terms of the relevant borrowings, the Group is obliged to comply with certain restrictive financial and non-financial covenants, including restriction in incurring additional financial indebtedness in particular circumstances and fulfilment of certain key financial ratios. As at 31 December 2014, the Group has breached certain of the restrictive covenants of the relevant loans agreement. The breach of the restrictive covenants clauses have technically constituted events of default in accordance with respective terms of the relevant borrowings and will potentially trigger cross-default events of other Group's borrowings. As a result, the directors have classified relevant borrowings of RMB17,724,367 as at 31 December 2015 (2014: relevant borrowings and financial derivatives of RMB47,380,193,000 and RMB34,735,000 respectively) as current liabilities in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. BORROWINGS (Continued)

Notes: (Continued)

- (g) The effective interest rates at each of the reporting dates were as follows:

| | 2015 | 2014 |
|---|-------|-------|
| Bank borrowings, included in non-current liabilities | 6.3% | 7.0% |
| Bank borrowings, included in current liabilities | 7.6% | 8.6% |
| Other borrowings, included in non-current liabilities | 10.9% | — |
| Other borrowings, included in current liabilities | 11.7% | 11.3% |
| Loans from a related company, included in non-current liabilities | 12.0% | 12.0% |
| Loans from a related company, included in current liabilities | 12.0% | — |
| Senior Note 2012 | 12.9% | 13.8% |
| Senior Note January 2013 | 10.3% | 10.6% |
| Senior Note March 2013 | 8.9% | 9.2% |
| Senior Note April 2013 | 6.9% | 7.5% |
| Senior Note January 2014 | 8.9% | 9.3% |
| Senior Note June 2014 | 9.0% | 9.6% |
| Convertible Bonds | 8.0% | 13.1% |

- (h) The carrying amounts of the Group's borrowings are denominated in RMB except for Senior Notes, other borrowings and bank borrowings of RMB1,845,960,000 (2014: RMB1,710,292,000), which are denominated in USD and HKD respectively. The fair value are based on cash flow discounted using a rate on the borrowing rates as stated above and are within level 2 of the fair value hierarchy.

(i) **Debt restructuring**

In 2015, in light of the occurrence of events of default and potential cross-default of the debt facilities, the Group has negotiated with the Onshore Creditors and the Offshore Creditors in relation to the restructuring of the outstanding debts facilities (the "Debt Restructuring").

On 17 August 2015, the Group entered into a framework agreement for the Onshore Debt Restructuring with the onshore creditors committee (the "Onshore Creditors Committee") which is formed by certain largest onshore creditors of the Group. The Onshore Creditors Committee is authorised to negotiate on behalf of all onshore creditors in respect of the Onshore Debt Restructuring. During 2015 and 2016, the Onshore Creditors have entered into respective definitive agreements with the Group to restructure the outstanding debts or agreed that their outstanding debt being continued to be governed by their respective existing agreements. Up to the date of approving these consolidated financial statements, the Group has successfully restructured all of the onshore loans. The profit or loss on the modification or extinguishment of the onshore debts are considered to be immaterial to the Group.

On 10 January 2016, the Company, certain of its subsidiaries and the Offshore Creditors entered into the Restructuring Support Agreement, pursuant to which, the Offshore Creditors agreed to support the Offshore Debt Restructuring through the Schemes. The Schemes provided options to the Offshore Creditors in exchanging the outstanding principals of the Senior Notes, the Convertible Bonds and other offshore facilities as at the reference date of the Restructuring Support Agreement (i.e. 1 January 2016) (the "Original Offshore Debts") with all accrued and unpaid interest for the new indentures stated below.

On 12 July 2016, following the Company obtained the consent from the majority of the Original Offshore Debts Creditors in favour of the Schemes, the Schemes have become effective as a matter of Cayman Islands law and Hong Kong law. On the same day, the Group has cancelled the Original Offshore Debts and issued the new indentures in accordance to the election of the Offshore Creditors. The directors, after considering the restructured terms, has treated the Offshore Debt Restructuring as an extinguishment for certain portion of the Original Offshore Debts. Accordingly, a gain on extinguishment of the Original Offshore Debts of approximately RMB716,143,000, representing the difference between the carrying amount of the Original Offshore Debts and the fair value of the new instruments at the day of completion of the Offshore Debt Restructuring and consent fee paid to the Offshore Creditors of approximately RMB54,423,000 were recognised to profit and loss in 2016. The remaining portion of the Original Offshore Debts did not result in substantial modification and accordingly, the effective interest rates were adjusted at the date of modification.

Pursuant to the Restructuring Support Agreement, the Offshore Creditors could elect to exchange their Original Offshore Debts for the following indentures (Details of the Restructuring Support Agreement and the commercial terms of the new indentures are set out in the announcements of the Company dated 17 March 2016):

- (i) New HY notes at an exchange ratio of 1.0 with new principal amounts, new maturity dates and new interest coupon schedules, with certain contingent value rights ("CVRs") with a notional value equal to 7% of the principal amount of the New HY Notes;
- (ii) New HY notes at an exchange ratio of 1.02598 with new principal amounts, new maturity dates and new interest coupon schedules; or
- (iii) Mandatorily exchangeable bonds at an exchange ratio of 1.0.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|--------------------|-----------------|
| Deferred income tax assets: | | |
| – to be recovered after more than 12 months | 16,094 | 15,504 |
| – to be recovered within 12 months | 16,113 | 43,320 |
| | 32,207 | 58,824 |
| Deferred income tax liabilities: | | |
| – to be settled after more than 12 months | (3,163,089) | (2,206,959) |
| The net movement on the deferred income tax is as follows: | | |
| Beginning of the year | (2,148,135) | (1,102,706) |
| Recognised in the consolidated statement of profit or loss and other comprehensive income (note 32) | (982,747) | (1,045,429) |
| End of the year | (3,130,882) | (2,148,135) |

The movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred income tax assets:

| | Tax losses RMB'000 |
|--|-----------------------|
| At 1 January 2014 | 284,156 |
| Charged to the consolidated statement of profit or loss and other comprehensive income | (138,736) |
| At 31 December 2014 and 1 January 2015 | 145,420 |
| Charged to the consolidated statement of profit or loss and other comprehensive income | (26,617) |
| At 31 December 2015 | 118,803 |

Deferred income 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 RMB7,756,825,000 (2014: RMB3,942,821,000) that can be carried forward against future taxable income. These tax losses have no expiry date except that approximately RMB7,388,198,000 (2014: RMB3,569,650,000) will expiry from 2016 to 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities:

| | Revaluation arising from investment properties RMB'000 |
|--|--|
| At 1 January 2014 | 1,325,425 |
| Charged to the consolidated statement of profit or loss and other comprehensive income | 906,693 |
| At 31 December 2014 and 1 January 2015 | 2,232,118 |
| Charged to the consolidated statement of profit or loss and other comprehensive income | 956,130 |
| At 31 December 2015 | 3,188,248 |

At 31 December 2015, the unrecognised deferred income tax liabilities were RMB395,080,000 (2014: RMB471,150,000), 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 2015 amounted to RMB7,901,604,000 (2014: RMB9,422,995,000).

23. ADVANCE PROCEEDS RECEIVED FROM CUSTOMERS AND DEPOSITS RECEIVED

The amount of RMB14,524,168,000 (2014: RMB15,771,087,000) represents deposits and installments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

24. OTHER PAYABLES

| | 2015 RMB'000 | 2014 RMB'000 |
|---|------------------|-----------------|
| Other payables and accruals | 4,882,120 | 3,362,330 |
| Note payables | 96,930 | 221,683 |
| Consideration payable related to purchase of subsidiaries | 45,417 | 45,417 |
| Other taxes payables | 263,103 | 158,138 |
| | 5,287,570 | 3,787,568 |

Note:

The carrying amounts of other payables are denominated in RMB and approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

Amounts due to non-controlling interests of subsidiaries were unsecured, interest-free and repayable on demand.

26. LOSS ARISING FROM THE INCIDENT

As described in details in the Group's consolidated financial statements for the year ended 31 December 2014, the Company had established the Investigation Committee on certain issues and FTI Consulting (Hong Kong) Limited ("FTI Consulting") had undertaken an independent investigation (the "Investigation"). A report on the Investigation had been issued by FTI Consulting on 7 October 2016 and key findings of the Investigation had been published by the Company on 19 December 2016. Prior year adjustments have been made in the Group's annual consolidated financial statements for the year ended 31 December 2014 in relation to the Incident (as defined in note 2.1 to the Group's consolidated financial statements for the year ended 31 December 2014) in order to reflect the findings of the Investigation. The findings of the Investigation with respect to the Incident led to the recognition of a loss arising from the Incident as a whole of RMB482,736,000 for the year ended 31 December 2014.

27. OTHER LOSSES – NET

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Forfeited customer deposits | (4,480) | (8,397) |
| Compensation for termination of proposed development projects | – | (7,037) |
| Impairment loss on property and equipment and land use rights (note) | – | 164,452 |
| Write-down of completed properties held for sale and properties under development (note 10, 11) | 240,276 | 1,673,218 |
| Government subsidy income | (53,740) | (60,127) |
| Loss on disposal of property and equipment | 6,499 | 1,460 |
| Others | 27,784 | (21,161) |
| | 216,339 | 1,742,408 |

Note:

During the year ended 31 December 2014, the Group had performed impairment assessment of the property and equipment and land use rights and as a result, the carrying amounts of the property and equipment and land use rights were written down to their recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-------------------|-----------------|
| Auditors' remuneration | 6,127 | 34,069 |
| Advertising and other promotional costs | 347,709 | 479,847 |
| Agency fee | 51,599 | 56,711 |
| Business taxes | 624,255 | 1,004,328 |
| Cost of properties sold | 9,686,224 | 15,405,307 |
| Depreciation (note 6) | 104,841 | 100,577 |
| Amortisation of land use rights (note 8) | 6,286 | 6,016 |
| Donations | 10 | 54,989 |
| Legal and professional fees | 121,053 | 61,110 |
| Operating lease rental | 33,434 | 36,585 |
| Staff costs – including directors' emoluments (note 30) | 517,717 | 650,762 |
| Office expenses | 55,520 | 84,710 |
| Travelling | 8,445 | 18,194 |
| Others | 645,526 | 705,561 |
| | 12,208,746 | 18,698,766 |

Note:

The PRC companies comprising the Group are subject to business taxes on their revenues at the following rates:

| Category | Rate |
|-------------------------------|------|
| Sales of properties | 5% |
| Rental income | 5% |
| Property management services | 5% |
| Hotel and catering operations | 5% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCE COSTS – NET

| | 2015 RMB'000 | 2014 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Finance income | | |
| Interest income on bank deposits | 10,717 | 25,039 |
| Finance costs | | |
| Interest expense | | |
| – Bank borrowings | 2,882,827 | 1,902,990 |
| – Senior Notes (note 21) | 1,578,482 | 1,287,219 |
| – Convertible Bonds (note 21) | 188,405 | 181,716 |
| – Other borrowings | 1,702,922 | 2,356,686 |
| Total interest expenses | 6,352,636 | 5,728,611 |
| Less: interest capitalised (note) | (5,230,439) | (4,958,714) |
| Net exchange losses | 1,122,197 | 769,897 |
| | 994,964 | 5,907 |
| | 2,117,161 | 775,804 |
| Finance costs – net | (2,106,444) | (750,765) |

Note: The capitalisation rate of borrowings is 10.91% (2014: 11.28%) for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

| | 2015 RMB'000 | 2014 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Wages and salaries | 395,227 | 479,516 |
| Pension costs – statutory pension | 25,224 | 31,575 |
| Medical benefits | 10,598 | 13,013 |
| Share-based payments | 8,150 | 28,229 |
| Other allowances and benefits | 78,518 | 98,429 |
| | 517,717 | 650,762 |

31. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' emoluments

Details of emoluments paid to each director for the year ended 31 December 2015 are as follows:

| Name of director | Year ended 31 December 2015 | | | | | | Total RMB'000 |
|--|-----------------------------|-------------------|-------------------------------------|------------------------------|---|--|------------------|
| | Fees RMB'000 | Salary RMB'000 | Discretionary bonuses RMB'000 | Other benefits RMB'000 | Contribution to pension scheme RMB'000 | Share option benefits RMB'000 (note x) | |
| Ms. Chen Shaohuan | – | 92 | – | – | – | – | 92 |
| Mr. Jin Zhigang (note vi) | – | 2,420 | – | 15 | 11 | – | 2,446 |
| Mr. Kwok Ying Shing (notes ii and vii) | – | 1,201 | – | – | – | – | 1,201 |
| Mr. Lei Fugui (notes iii and viii) | – | 1,257 | – | 1 | – | – | 1,258 |
| Mr. Rao Yong | – | 251 | – | – | – | 40 | 291 |
| Mr. Sun Yuenan | – | 7,103 | – | 52 | 28 | 788 | 7,971 |
| Mr. Ye Lieli (note iii and vi) | – | 698 | – | – | – | – | 698 |
| Mr. Zhang Yizhao | – | 251 | – | – | – | 39 | 290 |
| Mr. Yu Jianqing (note v) | – | 5,565 | – | 37 | 29 | 1,114 | 6,745 |
| Mr. Zheng Yi (note ix) | – | 3,371 | – | 37 | 28 | 62 | 3,498 |
| | – | 22,209 | – | 142 | 96 | 2,043 | 24,490 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(a) Directors' emoluments (Continued)

| Name of director | Year ended 31 December 2014 | | | | | | Total RMB'000 |
|--|-----------------------------|-------------------|-------------------------------------|------------------------------|---|--|------------------|
| | Fees RMB'000 | Salary RMB'000 | Discretionary bonuses RMB'000 | Other benefits RMB'000 | Contribution to pension scheme RMB'000 | Share option benefits RMB'000 (note x) | |
| Mr. Chen Gengxian (note i) | — | 1,483 | — | 23 | 6 | — | 1,512 |
| Ms. Chen Shaohuan | — | 95 | — | — | — | — | 95 |
| Mr. Fok Hei Yu (note ii) | — | 237 | — | — | — | 81 | 318 |
| Mr. Jin Zhigang (note vi) | — | 2,289 | — | 33 | 26 | 1,174 | 3,522 |
| Mr. Kwok Ying Shing (notes ii and vii) | — | 3,315 | — | 13 | — | — | 3,328 |
| Mr. Kwok Ying Chi (note ii) | — | 1,894 | — | 13 | — | — | 1,907 |
| Mr. Lei Fugui (notes iii and viii) | — | 99 | — | — | — | — | 99 |
| Mr. Rao Yong | — | 237 | — | — | — | 70 | 307 |
| Mr. Sun Yuenan | — | 2,422 | — | 46 | 26 | 1,412 | 3,906 |
| Dr. Tam Lai Ling (note iv) | — | 4,735 | — | 89 | — | 2,118 | 6,942 |
| Mr. Ye Lieli (notes iii and vi) | — | 91 | — | — | — | — | 91 |
| Mr. Zhang Yizhao | — | 237 | — | — | — | 70 | 307 |
| Mr. Yu Jianqing (note v) | — | 1,467 | — | 33 | 25 | 1,429 | 2,954 |
| | — | 18,601 | — | 250 | 83 | 6,354 | 25,288 |

Notes:

- (i) Resigned on 4 April 2014.
- (ii) Resigned on 31 December 2014.
- (iii) Appointed on 11 December 2014.
- (iv) Resigned on 29 December 2014.
- (v) Appointed on 31 December 2014.
- (vi) Resigned on 11 June 2015.
- (vii) Re-appointed on 13 April 2015.
- (viii) Resigned on 1 November 2016.
- (ix) Appointed on 13 April 2015.
- (x) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included 2 directors (2014: 5), whose emoluments are reflected in note (a) above. The emoluments for the remaining 3 (2014: nil) individual are as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---------------------------------|-----------------|-----------------|
| Salaries and other benefits | 11,004 | – |
| Contribution to pension schemes | 85 | – |
| Share option benefits | 917 | – |
| | 12,006 | – |

The emoluments of the five highest paid individuals fell within the following bands:

| | 2015 | 2014 |
|---------------------------------|----------|------|
| HK\$2,500,001 to HK\$3,000,000 | – | 1 |
| HK\$3,000,001 to HK\$3,500,000 | – | 1 |
| HK\$3,500,001 to HK\$4,000,000 | 2 | 2 |
| HK\$4,000,001 to HK\$4,500,000 | 1 | – |
| HK\$4,500,001 to HK\$6,500,000 | – | 1 |
| HK\$6,500,001 to HK\$12,000,000 | 2 | – |
| | 5 | 5 |

During the years ended 31 December 2015 and 2014, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. INCOME TAX EXPENSES

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.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2014: 25%).

Hong Kong profits tax

No Hong Kong profits tax was provided for the years ended 31 December 2015 and 2014 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

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 lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax.

| | 2015 RMB'000 | 2014 RMB'000 |
|---------------------------------------|------------------|-----------------|
| Current income tax | | |
| – PRC enterprise income tax | 258,557 | 1,407,268 |
| – PRC land appreciation tax | 178,701 | 330,276 |
| Under/(over)-provision in prior years | | |
| – PRC land appreciation tax | 8,200 | (17,038) |
| Deferred income tax (note 22) | 982,747 | 1,045,429 |
| | 1,428,205 | 2,765,935 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. INCOME TAX EXPENSES (Continued)

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 companies comprising the Group as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|------------------|-----------------|
| Profit/(loss) before income tax | 173,721 | 1,465,867 |
| Add: Share of results from associates (note 9) | 3,586 | 634 |
| | 177,307 | 1,466,501 |
| Calculated at PRC foreign enterprise income tax rate of 25% (2014: 25%) | 44,327 | 366,625 |
| Effect of different income tax rates of certain companies | 110,845 | 4,688 |
| Income not subject to tax | (114,297) | (3,328,953) |
| Expenses not deductible for tax purposes | 364,054 | 4,700,944 |
| Tax losses not recognised | 836,375 | 709,393 |
| PRC enterprise income tax | 1,241,304 | 2,452,697 |
| PRC land appreciation tax | 186,901 | 313,238 |
| Income tax expenses | 1,428,205 | 2,765,935 |

33. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2015 | 2014 |
|--|----------------|---------------|
| Loss attributable to equity holders of the Company (RMB'000) | (1,121,577) | (1,287,484) |
| Weighted average number of ordinary shares in issue | 5,135,427,910 | 5,042,120,440 |
| Basic loss per share (RMB) | (0.218) | (0.255) |

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of RMB1,121,577,000 (2014: RMB1,287,484,000) and the weighted average number of 5,135,427,910 (2014: 5,042,120,440) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2015 and 2014 was calculated based on the weighted average number of ordinary share outstanding adjusted to assume conversion or exercise of all dilutive potential ordinary shares. The diluted loss per share for the years ended 31 December 2015 and 2014 was the same as the basic loss per share as the potential ordinary shares (convertible bonds and share options) were anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. CASH GENERATED FROM OPERATIONS

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|---------------------|
| Loss for the year | (1,254,484) | (1,300,068) |
| Adjustments for: | | |
| Income tax expenses (note 32) | 1,428,205 | 2,765,935 |
| Interest income (note 29) | (10,717) | (25,039) |
| Interest expense (note 29) | 1,122,197 | 769,897 |
| Net exchange losses (note 29) | 994,964 | 5,907 |
| Depreciation (note 6) | 104,841 | 100,577 |
| Amortisation of land use rights (note 8) | 6,286 | 6,016 |
| Share of results from associates (note 9) | 3,586 | 634 |
| Loss on disposal of property and equipment (note (i)) | 6,499 | 1,460 |
| Share-based payment (note 30) | 8,150 | 28,229 |
| Changes in fair value of investment properties (note 7) | (3,824,520) | (3,626,772) |
| Changes in fair value of financial derivatives (note 16) | 42,219 | 85,772 |
| Write-down of completed properties held for sale and properties under development (note 27) | 240,276 | 1,673,218 |
| Impairment loss on property and equipment and land use rights (note 27) | – | 164,452 |
| Loss arising from the incident (note 26) | – | 482,736 |
| Changes in working capital: | | |
| Properties under development and completed properties held for sale | 4,121,882 | (12,349,138) |
| Debtors, deposit and other receivables | (1,660,621) | 3,112,851 |
| Deposits for land acquisition | (225,702) | 5,885,382 |
| Prepayments for proposed development projects | (949,164) | (679,586) |
| Restricted cash | 108,888 | 598,172 |
| Advanced proceeds received from customers and deposits received | (1,246,919) | 203,939 |
| Accrued construction costs | 472,855 | 3,900,148 |
| Other assets (note (ii)) | – | (9,990,279) |
| Other payables | 1,423,675 | (4,962,016) |
| Amounts due to non-controlling interests of subsidiaries | 87 | 601,525 |
| Cash generated from/(used in) operations | 912,483 | (12,546,048) |

Notes:

- (i) Loss on disposal of property and equipment are as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|--------------------------------------|-----------------|-----------------|
| Net carrying value disposed (note 6) | 8,962 | 3,740 |
| Proceeds received | (2,463) | (2,280) |
| Loss on disposals | 6,499 | 1,460 |

- (ii)
- Non-cash transactions**

The principal non-cash transactions are the payments of interest expenses and principals of borrowings, and the payments of considerations for purchase of properties for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. DIVIDEND

No dividend was declared by the Company for the years ended 31 December 2015 and 2014.

A final dividend in respect of the year ended 31 December 2013 of Hong Kong dollar 15 cents per share, with a scrip dividend alternative, totalling HK\$745,230,000 (equivalent to RMB591,047,000) was declared at the annual general meeting on 31 March 2014 and paid in May 2014.

36. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at 31 December 2015 and 2014:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-------------------|-----------------|
| Guarantees in respect of mortgage facilities for certain purchasers of the property units | 15,105,912 | 15,337,179 |

The guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees 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 satisfaction of mortgage loans 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 financial statements for the guarantees.

37. COMMITMENTS

(a) Commitments for property development expenditures

| | 2015 RMB'000 | 2014 RMB'000 |
|---------------------------------|-------------------|-----------------|
| Contracted but not provided for | 24,511,831 | 24,462,837 |

Note:

The amount represented capital commitments for land use rights, prepayments for proposed development contracts and construction contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. COMMITMENTS (Continued)**(b) Operating lease commitments**

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Not later than one year | 22,884 | 28,301 |
| Later than one year and not later than five years | 14,301 | 20,833 |
| Later than five years | 648 | 1,050 |
| | 37,833 | 50,184 |

(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:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Not later than one year | 194,728 | 170,232 |
| Later than one year and not later than five years | 484,406 | 457,244 |
| Later than five years | 305,882 | 258,317 |
| | 985,016 | 885,793 |

38. ACQUISITIONS**(a) Acquisition of additional interest in a subsidiary**

Prior to the acquisition, the Group held 80% equity interest in Chengdu Jinxinrui Property Development Co., Ltd.. During the year ended 31 December 2014, the Group acquired the remaining 20% equity interest of Chengdu Jinxinrui Property Development Co., Ltd. with a consideration of RMB190,000,000 in relation to the acquisition of 19 project companies as disclosed in the consolidated financial statements for the year ended 31 December 2014. The Group recognised a decrease in non-controlling interests of RMB97,368,000 and the excess of consideration paid over the carrying amount was recorded in the capital reserve (note 20).

(b) Acquisitions of subsidiaries

For the year ended 31 December 2014, the Group acquired controlling equity interests of several subsidiaries at a total consideration of approximately RMB8,572,063,000. These companies did not operate any business prior to the acquisitions and only had prepayments for proposed development projects and deposits for land acquisition. 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 the prepayments for proposed development projects and deposits for land acquisition.

The considerations of all these transactions were based on the fair value of the assets acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. ACQUISITIONS (Continued)**(b) Acquisitions of subsidiaries** (Continued)

The assets and liabilities arising from the acquisitions are as follows:

| | 2014 RMB'000 |
|---|-----------------|
| Property and equipment | 1,818 |
| Investment in an associate | 303,000 |
| Properties under development | 9,492,068 |
| Completed properties held for sale | 592,790 |
| Debtors, deposits and other receivables | 3,564,726 |
| Prepayments for proposed development projects | 112,518 |
| Cash and cash equivalents | 174,179 |
| Advanced deposits received from customers and deposits received | (1,722,287) |
| Accrued construction costs | (2,198,377) |
| Borrowings | (3,000,000) |
| Other payables | (6,053,541) |
| Net assets | 1,266,894 |
| Less: non-controlling interests | 186,460 |
| Net assets acquired | 1,453,354 |
| Purchase consideration settled in cash | 8,572,063 |
| Cash and bank balances in subsidiaries acquired | (174,179) |
| Settled by certain third parties | (6,158,870) |
| Cash outflow on acquisitions | 2,239,014 |
| Total purchase consideration: | |
| – Cash paid during the year | 2,413,193 |
| – Settled by certain third parties | 6,158,870 |
| Net book value of net assets acquired shown as above | (1,453,354) |
| Adjustments to the carrying amount of investment in an associate, properties under development, completed properties held for sale, deposits for land acquisition and prepayments for proposed development projects | 7,118,709 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. DISPOSALS OF SUBSIDIARIES

Disposal of interest in subsidiaries

For the year ended 31 December 2014, the Group disposed of its entire issued share capital of certain subsidiaries. Certain of these companies solely held prepayments for proposed development projects, properties under development or completed properties held for sale in the PRC. These companies did not operate any business prior to the disposal. Therefore, the Group regarded these disposals as sales of properties and its related net cash inflow of RMB2,713,860,000 as cash generated from operations.

40. 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:

| | 2015 | | 2014 | |
|---------------------------|---|---------------|---|---------------|
| | Weighted average exercise price in HK\$ per share | Number | Weighted average exercise price in HK\$ per share | Number |
| At 1 January | 1.844 | 236,872,000 | 1.747 | 387,187,000 |
| Granted during the year | – | – | 2.659 | 14,000,000 |
| Exercised during the year | – | – | 1.722 | (125,803,000) |
| Lapsed during the year | 2.011 | (113,260,000) | 1.564 | (38,512,000) |
| At 31 December | 1.690 | 123,612,000 | 1.844 | 236,872,000 |

As at 31 December 2015, 64,912,000 (2014: 74,430,000) outstanding options granted under the Share Option Scheme were exercisable (note).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. SHARE OPTION (Continued)

Share Option Scheme (Continued)

Note: Terms of share options at the reporting date were as follows:

| Exercised period | Exercise price per share HK\$ | Number of share options | |
|----------------------|-------------------------------------|-------------------------|-------------|
| | | 2015 | 2014 |
| 10/6/2010–9/6/2015 | 3.105 | – | 8,250,000 |
| 30/3/2011–29/3/2016 | 3.105 | – | 8,250,000 |
| 24/4/2012–23/4/2017 | 3.105 | – | 8,500,000 |
| 23/7/2011–22/7/2020 | 2.000 | 3,620,000 | 6,880,000 |
| 23/7/2012–22/7/2020 | 2.000 | 3,620,000 | 7,175,000 |
| 23/7/2013–22/7/2020 | 2.000 | 3,820,000 | 7,380,000 |
| 23/7/2014–22/7/2020 | 2.000 | 4,420,000 | 8,380,000 |
| 23/7/2015–22/7/2020 | 2.000 | 10,240,000 | 20,270,000 |
| 6/6/2013–5/6/2022 | 1.500 | 5,102,000 | 8,736,000 |
| 6/6/2014–5/6/2022 | 1.500 | 6,540,000 | 10,879,000 |
| 6/6/2015–5/6/2022 | 1.500 | 25,750,000 | 42,724,000 |
| 6/6/2016–5/6/2022 | 1.500 | 25,750,000 | 42,724,000 |
| 6/6/2017–5/6/2022 | 1.500 | 25,750,000 | 42,724,000 |
| 21/2/2015-20/2/2024 | 2.610 | 1,200,000 | 2,200,000 |
| 21/2/2016-20/2/2024 | 2.610 | 1,200,000 | 2,200,000 |
| 21/2/2017-20/2/2024 | 2.610 | 1,200,000 | 2,200,000 |
| 21/2/2018-20/2/2024 | 2.610 | 1,200,000 | 2,200,000 |
| 21/2/2019-20/2/2024 | 2.610 | 1,200,000 | 2,200,000 |
| 21/08/2015-20/8/2024 | 2.840 | 600,000 | 600,000 |
| 21/08/2016-20/8/2024 | 2.840 | 600,000 | 600,000 |
| 21/08/2017-20/8/2024 | 2.840 | 600,000 | 600,000 |
| 21/08/2018-20/8/2024 | 2.840 | 600,000 | 600,000 |
| 21/08/2019-20/8/2024 | 2.840 | 600,000 | 600,000 |
| | | 123,612,000 | 236,872,000 |

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. The valuations were based on the Binomial Model with the following data and assumptions:

| | July 2010 Grant | June 2012 Grant | February 2014 Grant | August 2014 Grant |
|-----------------------------------|--------------------|--------------------|------------------------|----------------------|
| Fair value under binomial model | HK\$142,362,000 | HK\$198,688,000 | HK\$8,514,000 | HK\$2,592,000 |
| Closing share price at grant date | HK\$1.71 | HK\$1.39 | HK\$2.60 | HK\$2.83 |
| Exercise price | HK\$2.00 | HK\$1.50 | HK\$2.61 | HK\$2.84 |
| Annual risk free interest rate | 2.29% | 1.04% | 2.30% | 1.94% |
| Expected volatility | 40% | 44% | 45% | 43% |
| Expected option life | 10 years | 10 years | 10 years | 10 years |
| Expected dividend yield | Nil | Nil | 6.0% | 5.0% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-------------------|-----------------|
| Loan and receivables | | |
| Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes | 2,817,065 | 1,728,683 |
| Restricted cash (note 18) | 969,403 | 1,078,291 |
| Long-term bank deposits (note 18) | 1,479 | 64,695 |
| Short-term bank deposits (note 18) | 13,974 | 189,860 |
| Cash and cash equivalents (note 18) | 2,324,546 | 3,131,154 |
| | 6,126,467 | 6,192,683 |
| Assets at fair value through profit or loss | | |
| Financial derivatives (note 16) | – | 627 |
| Available-for-sales | | |
| Available-for-sale financial assets (note 12) | 10,000 | 56,823 |
| Other financial liabilities at amortised cost | | |
| Accrued construction costs | 14,591,720 | 14,118,865 |
| Other payables, excluding other tax payables | 5,024,467 | 3,629,430 |
| Borrowings (note 21) | 72,118,169 | 65,722,998 |
| Amounts due to non-controlling interests of subsidiaries | 672,405 | 672,318 |
| | 92,406,761 | 84,143,611 |
| Liabilities at fair value through profit or loss | | |
| Financial derivatives (note 16) | – | 34,735 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with its related parties:

(a) Name and relationship with related parties**Controlling shareholders**

Mr. Kwok Chun Wai and Mr. Kwok Ying Shing.

A related company

Shenzhen Fund Resources Investment Holding Company Limited (“深圳市富德資源投資有限公司”)

(b) Key management compensation

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Salaries and other short-term employee benefits | 53,402 | 31,544 |
| Retirement scheme contributions | 272 | 284 |
| Share option benefits | 4,171 | 11,605 |
| | 57,845 | 43,433 |

(c) Transactions

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-----------------|-----------------|
| Interests paid to a related company (note i) | 303,012 | 6,000 |
| Rental expenses paid to controlling shareholders (note ii) | 1,911 | 1,859 |

Note:

- (i) Interest expense was charged at interest rate of 12% per annum on the loans from a related company.
- (ii) This represents payment of rental expense for various office premises to controlling shareholders Mr. Kwok Chun Wai and Mr. Kwok Ying Shing respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(d) Balance with a related company

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Loans from a related company (note 24(d)) | 2,877,000 | 1,500,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. EVENTS AFTER THE REPORTING DATE

- 1) On 12 May 2016, the Group entered into agreements with a third party to acquire 70% equity interest in Shenzhen Marine Group Company Limited, a company that holds a parcel of land for property development in the PRC, for a cash consideration of approximately HK\$6.8 billion (approximately equivalent to RMB5.8 billion).
- 2) Subsequent to the reporting date, the negotiations on, inter alia, the repayment terms and securing new loans and facilities for re-financing with a number of the PRC banks and non-banking financial institutions have been completed. Most of the banks and financial institutions have agreed for the renewal and extension of loans and banking facilities which includes the extension of repayment terms, and the securing new loans and facilities for re-financing.

On 21 July 2016, the offshore debt restructuring, including the restructuring of the existing senior notes, the convertible bonds and the other offshore facilities, was completed through the Company's proposed schemes of arrangement which had been respectively sanctioned by the Grand Court of the Cayman Islands and the High Court of Hong Kong. The United States Court had also granted the order to recognise the scheme sanctioned by the High Court of Hong Kong under Chapter 15 of Title 11 of the United States Code.

The Group cancelled the original offshore debts and issued the new indentures in accordance with the election of the offshore creditors.

- 3) In November 2016, the Group acquired 830,949,743 shares of a Hong Kong listed company, Mega Medical Technology Ltd., which represented approximately 21.72% of its existing issued shares for a cash consideration of HK\$388 million (approximately equivalent to RMB331 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2015

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---------------------|-----------------|
| ASSETS AND LIABILITIES | | |
| Non-current asset | | |
| Investments in subsidiaries | 23,473,255 | 21,248,654 |
| Current assets | | |
| Debtors, deposits and other receivables | 1,862 | 1,545 |
| Financial derivatives | – | 627 |
| Cash and cash equivalents | 27,124 | 326,463 |
| | 28,986 | 328,635 |
| Current liabilities | | |
| Other payables | 93,913 | 27,958 |
| Financial derivatives | – | 34,735 |
| Borrowings | 18,533,434 | 16,061,361 |
| | 18,627,347 | 16,124,054 |
| Net current liabilities | (18,598,361) | (15,795,419) |
| Net assets | 4,874,894 | 5,453,235 |
| EQUITY | | |
| Share capital (note 19) | 450,450 | 450,450 |
| Share premium (note 19) | 4,253,704 | 4,253,704 |
| Reserves (note) | 170,740 | 749,081 |
| Total equity | 4,874,894 | 5,453,235 |

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2017 and was signed on its behalf.

Kwok Ying Shing
Director

Zheng Yi
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

Reserve movement of the Company

| | Share option reserve RMB'000 (note 20(c)) | Conversion option reserve RMB'000 (note 21(b)) | Retained earnings/ (accumulated losses) RMB'000 | Total RMB'000 |
|--|--|---|---|------------------|
| Balance at 1 January 2014 | 154,517 | 220,824 | 1,090,926 | 1,466,267 |
| Total comprehensive loss for the year | – | – | (76,788) | (76,788) |
| Issue of scrip dividend shares | – | – | (170,275) | (170,275) |
| Dividend paid | – | – | (420,772) | (420,772) |
| Exercise of share option (note 19(a)) | (66,473) | – | – | (66,473) |
| Share-based payments (note 20(c)) | 28,229 | – | – | 28,229 |
| Share options lapsed | (11,107) | – | – | (11,107) |
| Balance at 31 December 2014 and 1 January 2015 | 105,166 | 220,824 | 423,091 | 749,081 |
| Total comprehensive loss for the year | – | – | (528,503) | (528,503) |
| Share-based payments (note 20(c)) | 8,150 | – | – | 8,150 |
| Share options lapsed | (57,988) | – | – | (57,988) |
| Balance at 31 December 2015 | 55,328 | 220,824 | (105,412) | 170,740 |

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB528,503,000 (2014: RMB76,788,000).

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2015 are set out below:

Established and operate in the PRC, all of which are foreign investment enterprises:

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|---|--|--|---|----------------------|
| Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd. 今盛工程管理諮詢(深圳)有限公司 | 27 July 2001 | HK\$714,000,000 | 100% | Property development |
| Kaisa Zhiye Development (Shenzhen) Co., Ltd. 佳兆業置業發展(深圳)有限公司 | 26 March 2004 | RMB10,000,000 | 100% | Property development |
| Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司 | 3 June 1999 | RMB3,476,000,000 | 100% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are local investment enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|--|--------------------------------------|---|--|----------------------|
| Shenzhen Naiao Kaisa Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司 | 15 February 2004 | RMB640,000,000 | 100% | Property development |
| Huizhou Canrong Property Ltd. 惠州燦榮房產公司 | 14 January 1994 | RMB35,926,506 | 100% | Property development |
| Woodland Height Property (Yingkou) Co., Ltd. 桂芳園地產(營口)有限公司 | 14 December 2010 | RMB495,750,000 | 100% | Property development |
| Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司 | 14 December 2010 | RMB372,570,000 | 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 | 20 December 2010 | HK\$68,300,000 | 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 | 20 December 2010 | RMB144,653,000 | 100% | Hotel management |
| Zhuzhou Kaisa Zhiye Co., Ltd. 株洲佳兆業置業有限公司 | 13 January 2011 | HK\$600,000,000 | 100% | Property development |
| Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司 | 28 December 2010 | RMB850,000,000 | 100% | Property development |
| Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司 | 7 March 2011 | HK\$210,000,000 | 100% | Property development |
| Zhuhai Kaisa Property Development Co., Ltd. 珠海市佳兆業房地產開發有限公司 | 9 June 2011 | RMB518,000,000 | 100% | Property development |
| Bakai Property Development (Weifang) Co., Ltd. 八凱房地產開發(濰坊)有限公司 | 22 June 2011 | USD50,000,000 | 100% | Property development |
| Kaisa Property (Wuhan) Co., Ltd. 佳兆業地產(武漢)有限公司 | 1 July 2011 | RMB547,528,247 | 100% | Property development |
| Kaisa Tourism Development Co., Ltd. 佳兆業旅遊開發有限公司 | 15 July 2011 | HK\$93,600,000 | 100% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are local investment enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|--|--------------------------------------|---|--|----------------------|
| Kaisa Property (Suizhong) Co., Ltd 佳兆業地產(綏中)有限公司 | 15 July 2011 | HK\$246,500,000 | 100% | Property development |
| Kaisa Property (Liaoyang) Co., Ltd. 佳兆業地產(遼陽)有限公司 | 24 August 2011 | USD31,000,000 | 100% | Property development |
| Anshan Kaisa Commerce Operation Management Co., Ltd 鞍山佳兆業商業管理有限公司 | 26 September 2011 | USD26,582,581 | 100% | Commerce management |
| Kaisa Xindu Zhiye (Qingdao) Co., Ltd. 佳兆業新都置業(青島)有限公司 | 18 February 2013 | USD60,000,000 | 100% | Property development |
| Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司 | 11 April 1992 | RMB98,040,000 | 100% | Property development |
| Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司 | 11 April 1992 | RMB50,000,000 | 100% | Property development |
| Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司 | 29 January 2007 | RMB50,000,000 | 100% | Property development |
| Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理(深圳)有限公司 | 20 October 1999 | RMB310,000,000 | 100% | Property management |
| Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司 | 19 July 2004 | RMB1,000,000,000 | 100% | Commerce management |
| Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司 | 21 March 1997 | RMB12,000,000 | 100% | Property development |
| Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司 | 27 October 2005 | RMB202,500,000 | 100% | Property development |
| Shenzhen Woodland Height Shiye Co., Ltd. 深圳市桂芳園實業有限公司 | 13 October 2003 | RMB500,000,000 | 100% | Property development |
| Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司 | 3 March 2006 | RMB10,000,000 | 100% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are local investment enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|---|--------------------------------------|---|--|--------------------------|
| Huizhou Jinhu Property Development Co., Ltd. 惠州市金湖房地產有限公司 | 26 March 1993 | RMB100,000,000 | 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 | 14 November 2006 | RMB204,680,000 | 100% | Property development |
| Chengdu Nanxing Property Development Co., Ltd. 成都南興銀基房地產開發有限公司 | 5 November 2004 | RMB420,000,000 | 100% | Property development |
| Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司 | 12 July 2007 | RMB10,000,000 | 100% | Property development |
| Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司 | 21 August 2007 | RMB220,000,000 | 100% | Property development |
| Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司 | 4 July 2008 | RMB10,000,000 | 80% | 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 | 17 November 2000 | RMB100,000,000 | 100% | Property development |
| Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司 | 22 June 2007 | RMB20,000,000 | 100% | Property development |
| Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司 | 19 July 2007 | RMB1,000,000,000 | 100% | Construction engineering |
| Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司 | 29 January 1999 | RMB10,000,000 | 100% | Property development |
| Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司 | 4 January 2007 | RMB10,000,000 | 100% | Property development |
| Shanghai Xinwan Investment Development Co., Ltd. 上海新灣投資發展有限公司 | 17 January 2007 | RMB35,000,000 | 100% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are local investment enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|---|--------------------------------------|---|--|----------------------|
| Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司 | 29 August 2007 | RMB60,000,000 | 100% | Property development |
| Boluo Kaisa Property Co., Ltd. 博羅縣佳兆業房地產有限公司 | 2 June 2008 | RMB10,000,000 | 100% | Property development |
| Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司 | 2 June 2008 | RMB10,000,000 | 100% | Property development |
| Shenzhen Golden Bay Hotel Co., Ltd. 深圳市金沙灣大酒店有限公司 | 17 June 1997 | RMB50,000,000 | 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 | 15 October 2009 | RMB150,000,000 | 100% | Property development |
| Shenzhen Tianlian Industry Development Co., Ltd. 深圳市天利安實業發展有限公司 | 4 September 2002 | RMB46,000,000 | 100% | Property development |
| Jiangsu Kaisa Investment Co., Ltd. 江蘇佳兆業投資有限公司 | 18 May 2010 | RMB15,000,000 | 100% | Property development |
| Baoji Crafts (Shenzhen) Co., Ltd. 寶吉工藝品(深圳)有限公司 | 28 December 1988 | RMB877,725,000 | 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 | 10 December 2010 | RMB20,000,000 | 100% | Property development |
| Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司 | 7 January 2010 | RMB260,000,000 | 100% | Property development |
| Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司 | 22 February 2011 | RMB20,000,000 | 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 | 9 October 2010 | RMB775,510,000 | 100% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are local investment enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|--|--------------------------------------|---|--|----------------------|
| Dalian Kaisa Commerce Operation Management Co., Ltd. 大連市佳兆業商業經營管理有限公司 | 18 March 2011 | RMB120,000,000 | 100% | Commerce management |
| Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司 | 19 April 2011 | RMB800,000,000 | 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 | 6 July 2011 | RMB50,000,000 | 100% | Property development |
| Hunan Mingtai Zhiye Development Co., Ltd. 湖南明泰置業發展有限公司 | 12 October 2000 | RMB310,000,000 | 100% | Property development |
| Shenzhen YueFeng Investment Co., Ltd. 深圳市悅峰投資有限公司 | 25 April 2012 | RMB100,000,000 | 100% | Property development |
| Guangzhou Yaxiang Property Development Co., Ltd. 廣州市雅翔房地產開發有限公司 | 7 May 2012 | RMB918,370,000 | 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 | 30 December 2011 | RMB50,000,000 | 100% | Property development |
| Kaisa Property (Shanghai) Co., Ltd. 佳兆業地產(上海)有限公司 | 17 July 2012 | RMB30,000,000 | 100% | Property development |
| Wuhan Kaisa Investment Co., Ltd. 武漢市佳兆業投資有限公司 | 13 July 2012 | RMB250,000,000 | 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 | 2 August 2012 | RMB30,000,000 | 100% | Property development |
| Jiangyin Binjiangyayuan Property Development Co., Ltd. 江陰濱江雅園房地產開發有限公司 | 14 September 2012 | RMB20,000,000 | 100% | Property development |
| Chongqing Shenlian Investment Co., Ltd. 重慶深聯投資有限公司 | 22 August 2012 | RMB20,000,000 | 60% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are local investment enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|---|--------------------------------------|---|--|----------------------|
| Dalian Huapu Zhiye Co., Ltd. 大連華普置業有限公司 | 9 December 2009 | RMB100,000,000 | 100% | Property development |
| Shanghai Jiawan Zhaoye Property Co., Ltd. 上海嘉灣兆業房地產有限公司 | 24 December 2012 | RMB30,000,000 | 100% | Property development |
| Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd. 佳兆業文化體育(深圳)有限公司 | 25 January 2013 | RMB72,000,000 | 90% | Commerce management |
| Kaisa Property (Hangzhou) Co., Ltd. 佳兆業房地產(杭州)有限公司 | 6 March 2013 | RMB40,820,000 | 100% | Property development |
| Chengdu Tianjia Zhiye Co., Ltd. 成都天佳置業有限公司 | 19 April 2013 | RMB200,000,000 | 100% | Property development |
| Shenzhen Jiawangji Property Development Co., Ltd. 深圳市佳旺基房地產開發有限公司 | 5 February 2010 | RMB50,000,000 | 70% | Property development |
| Guangzhou Jiayu Property Development Co., Ltd. 廣州市佳宇房地產開發有限公司 | 21 May 2013 | RMB50,000,000 | 100% | Property development |
| Guangzhou Jiarui Property Development Co., Ltd. 廣州市佳瑞房地產開發有限公司 | 5 June 2013 | RMB200,000,000 | 100% | Property development |
| Dongguan Yulongshan Property Development Co., Ltd. 東莞市禦龍山房地產開發有限公司 | 9 April 2013 | RMB20,000,000 | 100% | Property development |
| Wuhan Junhui Property Development Co., Ltd. 武漢市君匯房地產開發有限公司 | 20 May 2013 | RMB50,000,000 | 100% | Property development |
| Shanghai Yingwan Zhaoye Property Development Co., Ltd. 上海贏灣兆業房地產有限公司 | 20 June 2013 | RMB50,000,000 | 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 | 17 October 2013 | RMB30,000,000 | 100% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are sino-foreign equity joint venture enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|---|--------------------------------------|---|--|----------------------|
| Wan Tai Chang Property Development (Suizhong) Co., Ltd. 萬泰昌房地產開發(綏中)有限公司 | 15 October 2013 | HKD428,999,750 | 100% | Property development |
| Hangxiongye Property (Hangzhou) Co., Ltd. 杭溪隆業房地產(杭州)有限公司 | 26 June 2013 | RMB98,000,000 | 100% | Property development |
| Shanghai Chengwan Zhaoye Property Development Co., Ltd. 上海誠灣兆業房地產有限公司 | 2 August 2013 | RMB58,820,000 | 100% | Property development |
| Hunan Daye Property Development Co., Ltd. 湖南達業房地產開發有限公司 | 9 August 2013 | RMB100,000,000 | 100% | Property development |
| Chongqing Kaisa Property Development Co., Ltd. 重慶佳兆業房地產開發有限公司 | 13 November 2013 | RMB946,675,000 | 100% | Property development |
| Guangzhou Zhaochang Property Development Co., Ltd. 廣州市兆昌房地產開發有限公司 | 21 June 2013 | RMB30,000,000 | 100% | Property development |
| Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司 | 15 September 2006 | RMB20,000,000 | 100% | Property development |
| Fenglong Group Co., Ltd. 豐隆集團有限公司 | 29 October 1993 | RMB168,000,000 | 100% | Property development |
| Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司 | 14 January 1994 | HK\$256,026,685 | 100% | Property development |
| Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司 | 24 March 2008 | USD90,000,000 | 100% | Property development |
| Kaisa Real Estate Jiangyin Co., Ltd. 佳兆業地產江陰有限公司 | 15 October 2009 | RMB450,000,000 | 100% | Property development |
| Kaisa Real Estate (Liaoning) Co., Ltd. 佳兆業地產(遼寧)有限公司 | 28 January 2010 | RMB1,086,670,000 | 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 | 16 March 2011 | USD61,660,000 | 100% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are sino-foreign equity joint venture enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|--|--------------------------------------|---|--|----------------------|
| Shenzhen Zhengchangtai Investment Consulting Co., Ltd. 深圳市正昌泰投資諮詢有限公司 | 13 June 2007 | RMB10,000,000 | 100% | Property development |
| Wanyuchang Computer Technology Development Co., Ltd. 萬裕昌電腦技術開發(深圳)有限公司 | 26 October 2001 | HK\$2,000,000 | 100% | Commerce management |
| Kaisa Holdings Limited 佳兆業集團有限公司 | 16 July 1999 | HK\$10,000 | 100% | Property development |
| Beijing Jinmao Caixun Xinci Co., Ltd 北京金貿財迅資訊有限公司 | 5 December 2005 | RMB24,400,000 | 100% | Commerce management |
| Dong Sheng Investment Company Limited 東升投資有限公司 | 25 July 2007 | USD1 | 100% | Investment holding |
| Rui Jing Investment Company Limited 瑞景投資有限公司 | 23 July 2007 | HK\$1 | 100% | Investment holding |
| Kaisa Group Holdings Ltd. 佳兆業集團控股有限公司 | 2 August 2007 | HK\$450,418,585.6 | 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 | 2 February 2008 | USD40,000,000 | 100% | Commerce management |
| Tai An Da Investment Company Limited 泰安達投資有限公司 | 2 March 2010 | USD2 | 100% | Investment holding |
| Wan Rui Fa Investment Company Limited 萬瑞發投資有限公司 | 2 March 2010 | HK\$10,000 | 100% | Investment holding |
| Tai He Sheng Investment Company Limited 泰和盛投資有限公司 | 2 March 2010 | USD1 | 100% | Investment holding |
| Tai Chong Li Investment Company Limited 泰昌利投資有限公司 | 2 March 2010 | USD1 | 100% | Investment holding |
| Wan Jin Chang Investment Limited 萬晉昌投資有限公司 | 2 March 2010 | HK\$1 | 100% | Investment holding |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are sino-foreign equity joint venture enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|---|--------------------------------------|---|--|----------------------|
| Wan Rui Chang Investment Company Limited 萬瑞昌投資有限公司 | 2 March 2010 | HK\$1 | 100% | Investment holding |
| Wan Tai Chang Investment Company Limited 萬泰昌投資有限公司 | 2 March 2010 | HK\$1 | 100% | Investment holding |
| Shenzhen Kaisa hotel Management Co., Ltd. 深圳市佳兆業酒店管理有限公司 | 15 September 2010 | RMB110,750,000 | 100% | Hotel management |
| Hong Kong Kaisa Industry Co., Limited 香港佳兆業實業有限公司 | 24 November 2010 | USD1,000 | 100% | Investment holding |
| Changzhou Kaisa Property Development Co., Ltd. 常州佳兆業房地產開發有限公司 | 8 December 2010 | RMB506,958,095 | 100% | Property development |
| Sunny Sino Investments Limited 熙華投資有限公司 | 21 September 2011 | USD1 | 100% | Investment holding |
| Xifeng Management Consulting (Shenzhen) Co., Ltd. 熙豐管理諮詢(深圳)有限公司 | 17 November 2011 | RMB1,000,000 | 100% | Commerce management |
| Shenzhen Denghong Management Consulting Co., Ltd. 深圳市德弘管理諮詢有限公司 | 8 November 2011 | RMB500,000,000 | 100% | Commerce management |
| Action Enrich Limited 行裕有限公司 | 2 May 2012 | USD1,000 | 100% | Investment holding |
| Chengdu Dingchengda Property Development Co., Ltd. 成都市鼎誠達房地產開發有限公司 | 6 July 2012 | RMB10,000,000 | 80% | Property development |
| Zuobo Management Consulting (Shenzhen) Co., Ltd. 佳兆業左博置業(深圳)有限公司 | 21 August 2012 | RMB20,000,000 | 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 | 1 August 2012 | HK\$244,000,000 | 100% | Property development |
| Kaisa Property (Dandong) Co., Ltd. 佳兆業地產(丹東)有限公司 | 30 October 2012 | USD50,500,000 | 100% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Established and operate in the PRC, all of which are sino-foreign equity joint venture enterprises: (Continued)

| Name | Date of incorporation/ establishment | Nominal value of issued and fully paid share capital/ paid-in-capital | Percentage of attributable equity interest | Principal activities |
|--|--------------------------------------|---|--|----------------------|
| Shenzhen Cixiang Kaisa Property Development Co., Ltd. 深圳市西鄉佳兆業房地產開發有限公司 | 27 May 2013 | RMB50,000,000 | 100% | Property development |
| Splendid Maple Limited 燁楓有限公司 | 21 May 2013 | USD10,000 | 100% | Investment holding |
| Huidong Kaisa Property Development Limited 惠東縣佳兆業房地產開發有限公司 | 13 February 2014 | RMB50,000,000 | 100% | Property development |
| Suzhou Kaisa Property Development Co., Ltd. 蘇州市佳兆業房地產開發有限公司 | 20 February 2014 | RMB196,000,000 | 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 | 21 February 2014 | RMB98,000,000 | 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 | 24 February 2014 | RMB10,000,000 | 100% | Property development |
| Nanjing Aoxin Property Development Co., Ltd. 南京奧信房地產開發有限公司 | 11 November 2013 | RMB50,000,000 | 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 | 21 August 2014 | RMB50,000,000 | 100% | Property development |
| Chengdu Jinxinrui Property Development Co., Ltd. 成都市錦新瑞房地產開發有限公司 | 7 November 2012 | RMB50,000,000 | 100% | Property development |
| Shenzhen Chuangzhan Hotel Development Co., Ltd. 深圳市創展酒店發展有限公司 | 12 June 2012 | RMB10,000,000 | 51% | Property development |
| Shenzhen Guanyang Property Development Co., Ltd. 深圳冠洋房地產有限公司 | 5 June 2009 | RMB100,000,000 | 51% | Property development |
| Shenzhen Jielingzixun Co., Ltd. 深圳市傑領信息諮詢有限公司 | 3 November 2014 | RMB1,000,000 | 100% | Commerce management |

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 2015 RMB'000 | 31 December | | | |
|---|--------------------|-----------------|-------------------------------|-------------------------------|-------------------------------|
| | | 2014 RMB'000 | 2013 RMB'000 (restated) | 2012 RMB'000 (restated) | 2011 RMB'000 (restated) |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property and equipment | 760,171 | 848,179 | 579,528 | 307,948 | 148,725 |
| Investment properties | 20,738,703 | 16,256,160 | 9,595,200 | 7,539,500 | 6,375,100 |
| Land use rights | 162,942 | 169,228 | 165,342 | 60,485 | 20,603 |
| Investments in associates | 783,175 | 778,461 | – | – | 298,979 |
| Long-term bank deposits | 1,479 | 64,695 | – | – | – |
| Deferred income tax assets | 32,207 | 58,824 | 197,560 | 208,941 | 105,601 |
| | 22,478,677 | 18,175,547 | 10,537,630 | 8,116,874 | 6,949,008 |
| Current assets | | | | | |
| Properties under development | 63,861,735 | 69,335,835 | 46,416,918 | 32,193,551 | 22,399,585 |
| Completed properties held for sale | 17,663,012 | 11,320,631 | 6,192,231 | 3,174,683 | 1,342,662 |
| Available-for-sale financial assets | 10,000 | 56,823 | – | – | – |
| Other assets | – | – | 3,358,856 | 129,570 | – |
| Debtors, deposits and other receivables | 5,357,835 | 3,697,214 | 3,270,459 | 2,472,289 | 1,575,543 |
| Deposits for land acquisition | 4,002,386 | 3,776,684 | 9,662,066 | 3,462,425 | 2,121,917 |
| Prepayments for proposed development projects | 10,566,950 | 9,617,786 | 4,025,563 | 3,608,772 | 2,915,684 |
| Prepaid taxes | 298,157 | 262,507 | 197,760 | 191,806 | 153,891 |
| Financial derivatives | – | 627 | 51,450 | – | – |
| Restricted cash | 969,403 | 1,078,291 | 1,676,463 | 669,784 | 541,030 |
| Short-term bank deposits | 13,974 | 189,860 | 263,723 | – | – |
| Cash and cash equivalents | 2,324,546 | 3,131,154 | 6,765,970 | 4,682,502 | 3,945,389 |
| | 105,067,998 | 102,467,412 | 81,881,459 | 50,585,382 | 34,995,701 |

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

| | 2015 RMB'000 | 31 December | | | |
|--|-------------------|-----------------|-------------------------------|-------------------------------|-------------------------------|
| | | 2014 RMB'000 | 2013 RMB'000 (restated) | 2012 RMB'000 (restated) | 2011 RMB'000 (restated) |
| Current liabilities | | | | | |
| Advance proceeds received from customers and deposits received | 14,524,168 | 15,771,087 | 13,844,861 | 10,446,568 | 7,241,863 |
| Accrued construction costs | 14,591,720 | 14,118,865 | 8,020,540 | 5,414,517 | 5,274,097 |
| Income tax payables | 3,989,909 | 3,879,450 | 2,817,056 | 1,480,732 | 989,100 |
| Borrowings | 33,713,019 | 61,256,102 | 45,446,443 | 21,849,610 | 2,307,186 |
| Financial derivatives | – | 34,735 | – | 59,084 | – |
| Other payables | 5,287,570 | 3,787,568 | 2,661,171 | 1,771,684 | 1,522,814 |
| Amounts due to non-controlling interests of subsidiaries | 672,405 | 672,318 | 70,793 | 451,899 | 3,477 |
| | 72,778,791 | 99,520,125 | 72,860,864 | 41,474,094 | 17,338,537 |
| Net current assets | 32,289,207 | 2,947,287 | 9,020,595 | 9,111,288 | 17,657,164 |
| Total assets less current liabilities | 54,767,884 | 21,122,834 | 19,558,225 | 17,228,162 | 24,606,172 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 38,405,150 | 4,466,896 | 1,913,250 | 2,018,296 | 11,577,305 |
| Deferred income tax liabilities | 3,163,089 | 2,206,959 | 1,300,266 | 1,143,247 | 1,079,415 |
| | 41,568,239 | 6,673,855 | 3,213,516 | 3,161,543 | 12,656,720 |
| EQUITY | | | | | |
| Share capital | 450,450 | 450,450 | 434,139 | 432,246 | 432,210 |
| Share premium | 4,253,704 | 4,253,704 | 3,861,789 | 3,817,526 | 3,816,563 |
| Reserves | 8,845,390 | 9,958,817 | 11,969,010 | 9,772,806 | 7,692,893 |
| Equity attributable to equity holders of the Company | 13,549,544 | 14,662,971 | 16,264,938 | 14,022,578 | 11,941,666 |
| Non-controlling interests | (349,899) | (213,992) | 79,771 | 44,041 | 7,786 |
| Total equity | 13,199,645 | 14,448,979 | 16,344,709 | 14,066,619 | 11,949,452 |

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | 2015 RMB'000 | For the year ended 31 December | | | |
|--|--------------------|--------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | 2014 RMB'000 | 2013 RMB'000 (restated) | 2012 RMB'000 (restated) | 2011 RMB'000 (restated) |
| Revenue | 10,926,535 | 19,600,176 | 19,523,056 | 11,955,020 | 10,834,726 |
| Cost of sales | (10,583,158) | (16,729,262) | (13,152,594) | (8,069,591) | (7,601,182) |
| Gross profit | 343,377 | 2,870,914 | 6,370,462 | 3,885,429 | 3,233,544 |
| Other (losses)/gains, net | (216,339) | (1,742,408) | (428,681) | 226,051 | 43,309 |
| Selling and marketing expenses | (559,419) | (798,518) | (861,877) | (578,325) | (404,841) |
| Administrative expenses | (1,066,169) | (1,170,986) | (952,013) | (818,386) | (565,048) |
| Changes in fair value of investment properties | 3,824,520 | 3,626,772 | 728,712 | 501,075 | 432,712 |
| Changes in fair value of financial derivatives | (42,219) | (85,772) | 51,450 | 54,710 | – |
| Loss arising from the Incident | – | (482,736) | – | – | – |
| Operating profit | 2,283,751 | 2,217,266 | 4,908,053 | 3,270,554 | 2,739,676 |
| Share of results from associates | (3,586) | (634) | – | (462) | (542) |
| Finance income | 10,717 | 25,039 | 317,519 | 37,811 | 155,121 |
| Finance costs | (2,117,161) | (775,804) | (741,303) | (38,501) | (69,287) |
| Finance (costs)/income – net | (2,106,444) | (750,765) | (423,784) | (690) | 85,834 |
| Profit before income tax | 173,721 | 1,465,867 | 4,484,269 | 3,269,402 | 2,824,968 |
| Income tax expenses | (1,428,205) | (2,765,935) | (2,293,213) | (1,153,225) | (925,690) |
| (Loss)/profit for the year and total comprehensive (loss)/income for the year | (1,254,484) | (1,300,068) | 2,191,056 | 2,116,177 | 1,899,278 |
| (Loss)/profit for the year and total comprehensive (loss)/income for the year attributable to | | | | | |
| Equity holders of the Company | (1,121,577) | (1,287,484) | 2,174,639 | 2,072,219 | 1,900,954 |
| Non-controlling interests | (132,907) | (12,584) | 16,417 | 43,958 | (1,676) |
| | (1,254,484) | (1,300,068) | 2,191,056 | 2,116,177 | 1,899,278 |



www.kaisagroup.com

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

Room 3306, Kerry Center, Ren Min Nan Road, Luohu, Shenzhen, China

Tel : (86) 755 2518 1818

Suite 2001, 20/F Two International Finance Centre

No. 8 Finance Street, Central, Hong Kong

Tel : (852) 8202 6888