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

ANNUAL REPORT 2017

* 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.

CONTENTS

CORPORATE INFORMATION

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

NON-EXECUTIVE DIRECTOR
Ms. CHEN Shaohuan

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

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

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

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

AUTHORISED REPRESENTATIVES
Mr. SUN Yuenan
Mr. MAI Fan

COMPANY SECRETARY
Mr. 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

CORPORATE INFORMATION

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

03 MAR

- Trading in the shares of the Group was formally resumed on the Main Board of the Hong Kong Stock Exchange.

05 MAY

- The Group has been included into the MSCI China Small Cap Index.
- The Group signed a strategic cooperation agreement with the people's government of Chengde, Hebei, pursuant to which, both parties shall conduct all-round cooperation in scientific technology, healthcare and retirement, cultural tourism, distinctive town and operation of culture and sports complexes by leveraging on their respective resources.

06 JUN

- The Group signed a strategic cooperation agreement with China Minsheng Bank in Beijing. Both parties will conduct multi-level cooperation in terms of development of new urbanization and industrial and consumption upgrades through comprehensive financial services, financing innovation and joint investment, in order to actively explore the new ecosystem incorporating industry and finance.
- The Group signed a strategic cooperation agreement with Bank of Dalian.
- The Group completed an exchange offer and issued USD3.45 billion new notes. The overwhelming market response to the exchange offer indicated wide acceptance of Kaisa's prospects by the international capital market.

MILESTONES

07 JUL

- The opening ceremony of Shenzhen Marriott Hotel Golden Bay was held.
- The Group acquired 17.7% equity interest in Nam Tai Property Inc (stock code on the New York Stock Exchange: NTP), to explore the development opportunities in the industry property sector.

08 AUG

- The Group donated RMB100 million to Guangdong Charity Federation (廣東省慈善總會) at the "2017 Guangdong Charity Day Event" (2017年廣東扶貧濟困日活動) for helping the poor villages, constructing a model village for new villages and supporting the poor to get rid of poverty in the province.

MILESTONES

09 SEP

- The Group has been selected as a constituent of the Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong Mid Cap & Small Cap Index and Hang Seng Stock Connect Hong Kong Small Cap Index.
- The Group acquired approximately 21.25% issued share capital of Guangdong Mingjia Lianhe Mobile Technology Co. Ltd. (廣東明家聯合移動科技股份有限公司), a company principally engaged in internet marketing, (Shenzhen Stock Exchange stock code: 300242), so as to expand its coverage on new technology industry.

10 OCT

- The 2017 Brand Strategies and New Product Presentation of Kaisa Property Shenzhen Company (2017佳兆業地產深圳公司品牌戰略暨新品發佈會) featuring the theme of"building for the future to achieve mutual growth"was held at Shenzhen Marriott Hotel Golden Bay to announce the launch of three projects, namely, Phase 5 of Kaisa City Plaza, Kaisa Future City and Kaisa Yantian City Plaza.
- The Move-in Ceremony of Kaisa Shanhai City Resettlement House at Lot No. 1 was held. This project is the first off-site resettlement project in Shenzhen and comprised of the relocation of Yantian third and fourth Villages, Xishanxia Village and Shepaixiaobu Village. It is expected that the project will provide nearly 3,000 households with more than 1,400 resettlement houses.

11 NOV

- The Group signed a strategic cooperation agreement with Luohu government in Luohu, Shenzhen. In the future, the Group will, together with Luohu government, focus on systematic and well-rounded cooperation of the upgrade and renovation of traditional business district, construction of the business development platform, cooperation in urban redevelopment, transformation and upgrade of the industry, major research and study, cultural and tourism project, operation of cultural and sports avenue and financial services, with a view to assisting Luohu to become an international modern innovative pioneer city.

- The Group made a joint announcement with Kaisa Health Group Holdings Limited (formerly known as Mega Medical Technology Limited, HKEx stock code: 876) that all conditions set out in the underwriting agreement in relation to the rights issue have been fulfilled. Following completion of the rights issue, the shareholding held by the Group in Kaisa Health has been increased from 21.72% to 41.24%.

- The Group established a poverty alleviation company. This is the latest move of Kaisa Group to execute the initiatives of the 19th National Congress in promoting poverty alleviation through targeted measures and implies that Kaisa is accelerating its poverty alleviation work in full gear.

- The Group signed strategic cooperation agreements in relation to four distinctive towns, including Higher Education and Scientific Innovation City in Chuzhou Anhui, Medical Science City in Changzhou, Forest Healthcare town in Qingdao and Aviation Town in Wuxi.

- The Group acquired approximately 18.57% equity interest in Zhenxing Biopharmaceutical & Chemical Co., Ltd. (振興生化股份有限公司, Shenzhen Stock Exchange stock code: 000403), a company engaged in production and sales of blood products, so as to expand its coverage on healthcare industry.

12 DEC

- The Group signed a cooperation agreement with Qingbaijiang government, Chengdu in relation to the management and operation of Phoenix Lake Resort with a site area of approximately 2,000 mu, and will plan and construct an international cultural and tourism town peripheral to the Phoenix Lake, in order to promote the sustainable development of local economy by establishing Phoenix Lake Resort into Phoenix New City.

AWARDS

Social Research of Peking University and Zhaoping.com

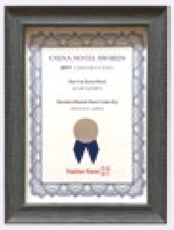
January 2017

TOP10 Shenzhen's Best Employers

The Organizing Committee of China Real Estate Annual Conference, China Real Estate Brand Association and China Real Estate Public Opinion Research Center

February 2017

China's Outstanding Real Estate Enterprise in Brand-building



Fashion Travel magazine

July 2017

The Best Resort Hotel in the City (Shenzhen Marriott Hotel Golden Bay)

Shenzhen Real Estate Association

July 2017

Top 10 Shenzhen Real Estate Enterprises in Overall Strengths

Yihan Zhiku

August 2017

2017 TOP20 China's Top Real Estate Enterprises by Brand Equity

Yihan Zhiku

August 2017

TOP10 China's Real Estate Enterprises in Social Responsibility

The Time Weekly

September 2017

2017 Outstanding Chinese Real Estate Enterprise in Industry Contribution

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

September 2017

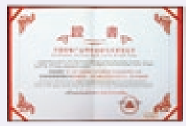
2017 Chinese Professional and Leading Real Estate Enterprise in Integrated Development (Urban Redevelopment)

AWARDS

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

September 2017

2017 Outstanding Operating Brands of Distinctive Town



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

September 2017

Top 13 Real Estate Enterprises in Brand Value

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

September 2017

Top 8 Professional and Leading Real Estate Brand in Property Services in China

Shenzhen Sports and Tourism Bureau and Shenzhen Sports Industrial Association

September 2017

Top 10 High-end Sports Event in Shenzhen

City Traveler magazine

November 2017

The Best Resort Hotel (Orientino Dongdaihe Hotel)

Southern Metropolis Daily and China Financial Reform Institute

November 2017

2017 Best Social Responsibility

Southern Metropolis Daily

December 2017

Landmark Building Award for the Year (Shenzhen Kaisa City Plaza)

The Asset magazine

December 2017

Triple A Regional Award 2017 (Refinancing activities of US$3.5 billion senior notes exchange offer and concurrent new issuance)


QUALITY LIVING

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Kaisa Group Holdings Ltd. ("Kaisa" or the "Company", together with its subsidiaries, the "Group"), I hereby present to you the annual results of the Group for the year ended 31 December 2017 (the "Year") together with the comparative figures for the previous year.

RESULTS AND DIVIDEND

For the year ended 31 December 2017, the Group's turnover and gross profit increased significantly by approximately 84.4% and 286.4% to approximately RMB32,779.3 million and RMB8,934.2 million respectively, as compared to 2016. Profit for the year attributable to equity holders of the Company and basic earnings per share were RMB3,284.9 million and RMB60.2 cents respectively, representing a turnaround from loss in 2016.

The Board recommended the payment of a final dividend of HK11.8 cents per share. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting (2016: nil).

BUSINESS REVIEW

Policies Continued to Exert its Influence on the Property Market

In 2017, China's GDP increased by 6.9% to more than RMB80 trillion, marking the first increase in annual growth rate of China's economy since 2011. Consumption has become the main driver of the economic growth, where the final consumption expenditure contributed to 58.8% to the domestic GDP growth. China's economic development has shifted from high-speed to high-quality growth.

During the Year, regulatory measures from both demand-side and supply-side were imposed on the property markets of popular cities nationwide. Local governments introduced various short-term measures to cope with different market conditions of the cities so as to effectively curb the speculative demand in the property market. Meanwhile, in order to thoroughly follow the guiding principle of General Secretary Xi Jinping's major policy addresses and the report delivered at the 19th National Congress, local governments gradually set up the housing system which ensures supply through multiple sources, provides housing support through multiple channels, and encourages both housing purchase and leasing to secure the sound and healthy development of the property market.

Owing to the dampening effects of regulatory policies, both the gross floor area ("GFA") sold and property prices decreased in first-tier cities, while divergence was seen in second-tier cities where increases in both GFA sold and property prices were recorded in certain cities. However, the property markets of third and fourth-tier cities saw increases in both the transaction volume and prices, making good performance in inventory clearance. This was benefited from the spillover effect of the regulatory measures in first and second-tier cities and the boost from monetary housing compensation for people displaced by rebuilding of run-down urban areas.

According to the data from the National Bureau of Statistics, commodity properties saw GFA sold reached 1.69 billion square meters ("sq. m.") in 2017, representing a growth of 7.7% as compared to 2016; while transaction value aggregated RMB13.4 trillion, representing a year-on-year growth of 13.7%. It was notable that both of the GFA sold and aggregated transaction value hit new records for two consecutive years. As at the end of December 2017, GFA of commodity properties held-for-sale reached 590 million sq. m., representing a decrease of 15.3% as compared to the end of 2016.

Record High in Contracted Sales

In the light of the ever-changing market conditions, the Group flexibly adjusted its launch plan and sales pace based on the conditions in various markets during the Year. It also strived to realise quick inventory turnover on the premise of reasonable profit, by taking differentiated marketing strategies in accordance with the characteristics of the respective projects.

For the year ended 31 December 2017, the Group's contracted sales surged by 49.8% to approximately RMB44,714 million, exceeding the Group's increased sales target of RMB44,000 million and hitting a record high in the Group's contracted sales. By virtue of the Group's extensive presence in Guangdong-Hong Kong-Macao Bay Area (the "Bay Area"), the contracted sales contributed in this region accounted for 56% of the Group's overall contracted sales.

Despite both the GFA sold and selling price of commodity housing decreased in first-tier cities during the Year, the Group's projects in Shenzhen, Guangzhou and Shanghai maintained good sales momentum. Projects such as Shenzhen Kaisa City Plaza, Shenzhen Kaisa Qianhai Plaza, Guangzhou Kaisa City Plaza and Shanghai Kaisa Monarch Residence received overwhelming responses, reflecting consumers' confidence in the Group's brand and recognition of its high quality. During the Year, the contracted sales in first-tier cities accounted for 51% of the Group's overall contracted sales. In view of active transactions in second-tier cities such as Nanjing, Hangzhou, Changsha and Huizhou, the Group also seized the opportunity to launch projects for sale. In third-tier cities, the de-stocking was effective during the Year.

According to the "2017 TOP 200 Real Estate Enterprise Property Developers" jointly compiled by CRIC and China Real Estate Appraisal Center, Kaisa moved up three notches from 2016 to the 37th in terms of attributable contracted sales amount.

Penetrating Further into the Bay Area and Focusing on First-tier and Key Second-tier Cities

In 2017, the Development Plan of the Guangdong-Hong Kong-Macao Bay Area was consecutively included in Report on the Work of the Government, the 13th Five-Year Plan and the Report at the 19th National Congress, demonstrating that the importance of developing the Bay Area has been elevated to a national strategic level. The construction of infrastructure in the Bay Area will be further accelerated in the future, and the air, sea and land transport networks will be interconnected to effectively enhance the interaction among cities in the Bay Area. The convenient one-hour metropolitan life circle will attract high-quality talents to reside, and stimulate mobility and re-allocation of population in the Bay Area. At the same time, convergence of core industries in the Bay Area and coordination among cities will be beneficial to the improvement of the core competitiveness of the Bay Area's city cluster as a whole. It is expected that the land and property prices in the area will further climb.

Development of the city cluster in the Bay Area provided Kaisa, which has been penetrating into the Pearl River Delta for 19 years, with historic opportunities. The Group continued to actively strengthen its presence in the markets within the Bay Area by acquiring new projects in Guangzhou, Zhongshan, Foshan, Huizhou and Zhuhai with aggregate attributable GFA of 1.97 million sq. m., representing approximately 63% of the newly added land bank during the Year. In addition, the Group made its first foray into the property markets of Shaoxing and Jiaxing in Zhejiang province and Zhengzhou in Henan province, further consolidating the Group's footholds in cities surrounding Shanghai and Beijing.

In terms of urban redevelopment, the Group actively tapped into the national urban redevelopment markets during the Year. In addition to the project reserves in Shenzhen, Guangzhou, Zhuhai and Shanghai, the Group established its presence in Huizhou, Zhongshan, Foshan and Dongguan to capture the potential opportunities of economic development in the Bay Area. Meanwhile, the Group continued to push ahead with the land supply for the existing urban redevelopment projects. In particular, the pre-sale of Shenzhen Kaisa Future City commenced at the end of 2017 and achieved satisfactory results; the pre-sale of Shenzhen Pinghu Kaisa Plaza is scheduled within this year; Shenzhen Yantian City Plaza is also under construction. The supply of these urban redevelopment projects lays a solid foundation for the Group's sales.

In terms of land bank, as at the end of December 2017, the Group had a total land bank of approximately 22 million sq. m., of which land bank in the Bay Area accounted for 58%.

CHAIRMAN'S STATEMENT

Equipping Core Property Business with Diversified Development to Create New Strength in New Era

Currently, China's economic structure and development are undergoing significant changes. The guiding principles of "New Era" and "Better Life" suggested by the 19th National Congress aim at improving the consumption system and enhancing the fundamental function of consumption in economic growth. This indicates that China's economy is no longer under extensive growth driven by investment and industrialisation, and the role of real estate business in the domestic economy has gradually shifted from pillar industry to an important building block that strengthens the establishment of social housing support system.

Against the backdrop of China's economic structural adjustment, the Group also actively explored new opportunities under the new economic normal, and developed new businesses that are promoted by national policies with the promising prospects, such as healthcare, new science and technology, leisure and sports, to strengthen its capability in tackling the challenges brought by the economic transformation.

In July 2017, the Group acquired from a major shareholder 17.7% equity interest in Nam Tai Property Inc., (a company principally engaged in real estate development and management in Shenzhen and listed on the NYSE under the symbol NTP), at a consideration of approximately US$110 million. Nam Tai Property Inc. owned three parcels of industrial land located in Bao'an District, Shenzhen which will later be developed into a technological innovation park. This investment will provide the Group with good opportunities in exploring the high-tech industrial property.

During the Year, the Group acquired 21.25% equity interest in Guangdong Mingjia Lianhe Mobile Technology Co. Ltd. ("Mingjia Lianhe", a company principally engaged in internet marketing and listed on the Shenzhen Stock Exchange under the stock code 300242) from the controlling shareholder at a consideration of approximately RMB1.76 billion. Mingjia Lianhe covered substantially all of mainstream media resources of the mobile distribution sector and has established its own mobile advertising platform and extensive customer resources in the industry. The purpose of the acquisition by the Group is to leverage Mingjia Lianhe's mobile internet marketing as an entrance to facilitate the Group's integration of various resources, and upgrade the Group's existing businesses to give full play to their potential.

Apart from this, the Group continued to enhance its presence in the healthcare sector by acquiring 18.57% of equity interest in Zhenxing Biopharmaceutical & Chemical Co., Ltd. ("Zhenxing Biopharmaceutical", a company principally engaged in production and sales of blood products and listed on the Shenzhen Stock Exchange under the stock code 403) at a consideration of approximately RMB2.19 billion. The core asset of Zhenxing Biopharmaceutical is Guangdong Shuanglin Biological Pharmaceutical Co., Ltd., located in Zhanjiang, Guangdong. It's one of the few listed companies in biopharmaceutical in the market which is armed with the national GMP certificate and strong research and development capability. The acquisition will serve the Group with opportunity for entering the biopharmaceuticals sector. In the meantime, the Group completed the rights issue of Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited", a company principally engaged in manufacturing and trading in dental prosthesis and listed on the Hong Kong Stock Exchange under the stock code 876), through which Kaisa's shareholding further increased to 41.24%. In the future, the Group will explore business opportunities in the health town, medical and healthcare sectors, by leveraging on its own strengths in property development, operation and its resources in biopharmaceutical and medical equipment industries.

In response to the national policy against the backdrop of the macro economy trends and economic structure optimisation, the Group has made efforts in diversifying its businesses. This could help the Group extend its operation scope in the property industry and generate new profit drivers. At the same time, it could help the Group enhance its core competitiveness in acquiring land resources, and strengthen its capabilities in tackling challenges arising from China's economic transformation, so as to lay solid foundation for its sustainable development.

Focusing on Funding and Capital Market Managements

In 2017, new policies were imposed successively on industries including banking, securities and insurance to regulate the real estate financing. The domestic financing channel of property companies has become increasingly narrow. Overseas financing has become the main source of funding for real estate enterprises.

The Group actively seized opportunities in the overseas market. On 30 June 2017, the Group completed the Exchange Offer and successfully issued New Senior Notes amounting to a total of US$3.45 billion, following which, the Group issued additional New Senior Notes of US$285 million, US$805 million and US$619 million in August, September and November 2017, respectively, for refinancing existing indebtedness, financing existing and new property projects and general corporate purposes. These financing arrangements enabled the Group to extend the maturity of its indebtedness denominated in foreign currency and strengthen its cash flow management. As for domestic financing, the Group continued to deepen cooperation with all major banks to secure funding for subsequent development.

The Group also strived to accelerate collection of sales proceeds and strengthened capital and budget management to optimise cost and expense management during the Year.

In addition, following the inclusion into the MSCI China Small Cap Index in May 2017, and being selected as a constituent of the Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong Mid Cap & Small Cap Index and Hang Seng Stock Connect Hong Kong Small Cap Index in September 2017, the Group has been selected as a constituent of Hang Seng Composite LargeCap & MidCap index since 5 March 2018, reflecting investors' affirmation and recognition of the Company's value.

PROSPECTS

Cautiously Optimistic on Market Prospect and Consistently Focus on the Bay Area

Year 2018 is the first year following the 19th National Congress, and is also an important year for the establishment of a well-off society and the continuity of the implementation of the 13th Five-Year Plan. It is expected that macro economic policies will further shift the focus of economic growth from demand-side to supply-side and the economy will sustain a stable and moderate growth for the whole year.

In the short term, the regulatory policies imposed on the real estate market will be maintained in the near future, and the funding environment will probably remain tight to continue curbing investment demand in the real estate market. From the perspective of market demand, the pent-up demand in first- and key second-tier cities is relatively abundant after more than one-year clampdown while demand in third- and fourth-tier cities may sustain slow growth amid the boost from monetary housing compensation for people displaced by rebuilding of run-down urban areas.

Following the national strategic plans such as Beijing-Tianjin-Hebei Integration and the Development plan of the Yangtze Economic Belt, the expected completion of the formulation on the Development Plan of the Guangdong-Hong Kong-Macao Bay Area indicates that, cities in the Bay Area will play an important role in promoting regional economic interaction and resources integration. As a property developer which possesses a large amount of land bank in the Bay Area, the Group will actively seize the opportunities arising from the economic development and continue to strengthen its presence in the region. Meanwhile, the Group will pay close attention to the development opportunities in the regions surrounding Shanghai and Beijing as well. It will identify opportunities for merger and acquisition while prudently participating in land auctions to further penetrate into first-tier and key second-tier cities across the country.

In this regard, the Group will closely monitor changes of market conditions and adjust its sales strategies and pace in a flexible manner by seizing opportunities to launch projects and accelerate de-stocking and collection of sales proceeds.

Exploring New Business Model to Enhance Operation and Management Capabilities Under the Economic New Era

With the Central government's promotion on further implementation of supply-side structural reforms and establishment of the long-term housing mechanism, the development of Chinese property will shift from the incremental market at the old times to the inventory market under a new era. The new trends under the new economy has set higher requirements to the Group's existing quick turnover model. As a result, the Group has equipped itself with the diversified businesses, so as to strengthen its capabilities in operation management to face the challenges under the new market trends.

Looking ahead, emphasising both leasing and purchasing will become an important step in optimising housing supply structure and increasing the effective supply under the trend of China's supply-side reforms. The implementation of long-term housing mechanism by both Central and local governments, such as confirmation of leasing land, clear leasing system and measures like tax concession will further promote the growth of leasing market, and become the main form of the housing market over a long run. In this regard, the Group will devote to explore a business model in the long-term leasing market that is feasible to the Group's existing situation, while accelerating the penetration of the rental apartment and co-working fields in first-tier and major second-tier cities, in order to optimise the operation of stocking house and provide new immigrants and the new class with high-quality living space and services.

In addition, to cater the requirements of optimisation of China's economic structure and industrial reforms, the construction of towns with distinctive features will assist in resolving the conflicts of imbalance and insufficiency in China's urban development, and will become the new engine in driving economic growth in rural areas. As a result, the Group will leverage its advantages in diversified businesses and explore the business model which is applicable to the Group, in order to establish its nationwide presence under the guiding principle of "formulating localised measures and building the town with industries". Currently, the Group has initially formed four product lines for its featured towns business, namely, "technology town", "health town", "culture and sports town" and "tourism resort town". In the future, the Group will continue to identify resources with local characteristics within the five major city clusters and along the "Belt and Road" in China in which the economic base and population are able to support its project development. The Group will introduce industry resources, and strengthen its asset operation and management to lay a sound foundation for its development in the economic new era.

Capital and Financial Management and Control

As to its financial management and control, the Group will continue to explore more channels for low-cost financing and improve liability management. It will also continue to enhance the collection of sales proceeds and strengthen capital management by revitalising its assets.

In addition, the Group will consider the spin-off and separate listing of its property management business on the Main Board of the Stock Exchange of Hong Kong as and when appropriate.

Acknowledgement

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

KWOK Ying Shing
Chairman

Hong Kong, 27 March 2018

FINE LIVING

Giving priority to customers value with enduring perseverance
create endless possibilities

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year ended 31 December 2017, the Group recorded a turnover of approximately RMB32,779.3 million, representing an increase of 84.4% as compared with approximately RMB17,771.5 million in 2016. Profit for the year attributable to owners of the Company amounted to approximately RMB3,284.9 million (2016: Loss of approximately RMB612.4 million). The core net profit, excluding changes in fair value of investment properties and financial derivatives, net of deferred tax, and gain on extinguishment of financial liabilities, increased to approximately RMB2,446.4 million (2016: core net loss of approximately RMB4,163.2 million). Basic earnings per share was amounted to RMB60.2 cents (2016: basic loss per share of RMB11.9 cents).

The Board recommended the payment of a final dividend of HK11.8 cents per share. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting (the "AGM") (2016: nil).

Contracted sales in 2017

In 2017, the Group's contracted sales amounted to approximately RMB44,714 million, representing an increase of 49.8% from 2016. Aggregated GFA sold for the Year was 2,786,289 sq. m., representing an increase of 22.8% from 2016. Average selling price of the contracted sales in 2017 increased by 22.0% to RMB16,048 per sq. m. from RMB13,150 per sq. m. in 2016. The table below shows the Group's contracted sales by region in 2017:

Region	Contracted sales area (sq.m.)	Contracted sales amount (RMB in Millions)
Pearl River Delta	1,098,264	24,853
Yangtze River Delta	464,390	9,453
Central China Region	339,609	3,580
Western China Region	454,948	3,347
Pan-Bohai Bay Rim	429,078	3,481
Total	**2,786,289**	**44,714**

Property development

Projects completed in 2017

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 4.3 million sq. m..

Projects under development

As at 31 December 2017, the Group had 40 projects under development with an aggregate of GFA of approximately 8.2 million sq. m..

Property management

The Group generated revenue from providing property management services. During the year ended 31 December 2017, the Group managed a total GFA of approximately 25.3 million sq. m.. The Group's property management is striving to deliver excellent and professional services to its customers and enhance brand and corporate image. As of 31 December 2017, the Group's property services penetrated into nearly 40 cities nationwide and had approximately 130 master management projects, covering residential, commercial, office, tourism and large-scale stadiums and serving approximately 150,000 customers in China. As an enterprise with the national first-class property services qualification, Kaisa has obtained ISO9001 quality management certificate. Kaisa has been awarded TOP 100 Property Service Companies for seven consecutive years and ranked 8th among 2017 China Property Management Leading Brand in Service Specialization in 2017, reflecting full trust and confidence in Kaisa brand.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 31 December 2017, the Group held 20 investment property projects, with an aggregate GFA of 1,429,580 sq. m., including completed investment properties of GFA of 563,919 sq. m. for leasing purpose.

Land bank

The Group remained cautious in its replenishing land bank by making reference to the availability of land supply and its existing land bank in the regions. During the Year, redevelopment projects such as Shenzhen Pinghu Kaisa Plaza, Shenzhen Kaisa Future City and Shenzhen Yantian City Plaza continued to provide the Group with land for development, and hence, mitigated the pressure arising from supply shortage of residential land in first tier cities. As for certain second tier cities with low inventory yet active in commodity house transaction, the Group prudently participated in local bidding for land replenishment and promptly entered into the development cycle. It also actively identified opportunities for merger and acquisition of projects, striving to reduce land acquisition cost.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, the Group acquired a total of 25 parcels of land or related interests by way of bidding, auction and listing, joint development and acquisition. The aggregate equity consideration for land acquisition amounted to approximately RMB13,527.7 million. The total GFA per maximum allowed plot ratio attributable to the Group was approximately 3,562,483 sq. m..

As at 31 December 2017, the Group had a total land bank of approximately 22 million sq. m. and approximately 58% of land bank was located in the Bay Area, which is sufficient for the Group's development needs for the next five years.

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

Time of Acquisition	Location	Attributable Interest	Site Area (sq.m.)	Capacity Building Area (sq.m.)	Equity Consideration (RMB in millions)	Type
January 2017	Guangzhou	90%	312,161	480,000	765.1	Commercial
January 2017	Guangzhou	70%	78,913	316,443	1,960.0	Commercial and Residential
January 2017	Foshan	100%	14,406	72,031	380.0	Commercial and Residential
February 2017	Huizhou	100%	176,724	441,810	372.6	Commercial and Residential
February 2017	Shenyang	100%	12,947	38,840	239.3	Commercial and Residential
February 2017	Shaoxing	70%	19,852	47,943	21.0	Residential
March 2017	Shanghai	100%	23,638	42,543	84.4	Residential
June 2017	Zhuhai	100%	16,088	28,957	217.2	Commercial and Residential
June 2017	Huizhou	70%	113,332	226,666	93.7	Commercial and Residential
June 2017	Zhengzhou	100%	36,582	91,500	388.7	Residential
June 2017	Zhengzhou	100%	32,917	65,800	283.8	Residential
June 2017	Suzhou	100%	29,911	59,823	727.1	Residential
July 2017	Nanjing	100%	27,376	62,956	1,250.0	Residential
July 2017	Zhongshan	100%	21,061	52,652	220.2	Commercial and Residential
July 2017	Hangzhou	100%	26,000	19,500	126.3	Residential
July 2017	Huizhou	70%	274,003	403,334	286.5	Commercial and Residential
August 2017	Jiaxing	51%	38,881	46,657	150.7	Residential
October 2017	Chengdu	100%	113,411	340,233	1,514.0	Commercial and Residential
October 2017	Zhongshan	80%	61,873	176,800	763.9	Commercial
October 2017	Zhongshan	80%	22,307	66,921	289.1	Commercial and Residential
November 2017	Chongqing	100%	56,788	141,945	470.0	Commercial and Residential
November 2017	Wuhan	100%	128,500	257,400	1,602.5	Residential
December 2017	Guangzhou	100%	3,038	16,200	696.6	Residential
December 2017	Guangzhou	100%	7,759	19,398	450.0	Residential
December 2017	Foshan	100%	11,533	46,131	175.0	Commercial
			1,660,001	**3,562,483**	**13,527.7**	

Outlook

Looking ahead into 2018, pursuing high-quality growth and further promoting supply-side structural reform will be the focuses of China's economic policy. The Central government will continue to adopt a stable and moderate monetary policy and establish a sound and healthy financial regulatory system. It is expected that China's macro-economy will remain stable.

Despite the fact that the adjustment measures on the real estate market will be maintained in the near future, factors such as the on-going renovation of shanty towns, acceleration of construction of the housing system that emphasising both renting and purchasing, land acquisitions by enterprises and sufficient land supply, will facilitate the stable growth of the real estate market.

In the face of the ever-changing market conditions, the Group will consolidate and strengthen its real estate business as usual and continue to optimise its allocation of land resources nationwide by intensifying its presence in the Bay Area and capturing the development opportunities in key cities in Beijing-Tianjin-and-Hebei city cluster and the economic circles along Yangtze River. Meanwhile, the Group will also speed up project turnover and collection of sales proceeds with reference to the progress of land acquisition, construction and launch plan pursuant to the policy trends in the respective markets.

Leveraging Kaisa's resources, skills and experience accumulated in healthcare, new technology, and culture, sports and tourism industries, the Group will make every endeavor to encourage resources sharing, complementary and synergized development in all business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations, (vi) water-way passenger and cargo transportation and (vii) others. Revenue increased by 84.4% to approximately RMB32,779.3 million in 2017 from approximately RMB17,771.5 million in 2016. 95.2% of the Group's revenue was generated from the sales of properties (2016: 94.2%) and 4.8% from other segments (2016: 5.8%).

Sales of properties

Revenue from sales of properties increased by approximately RMB14,467.1 million, or 86.4%, to approximately RMB31,206.1 million in 2017 from approximately RMB16,739.0 million in 2016. The increase was primarily due to increase in the total delivered GFA from approximately 1,866,540 sq. m. in 2016 to approximately 2,241,286 sq. m. in 2017.

Rental income

Rental income increased by approximately RMB21.5 million, or 9.4%, to approximately RMB249.6 million in 2017 from approximately RMB228.1 million in 2016.

Property management

Revenue from property management services increased by approximately RMB44.3 million, or 16.3%, to approximately RMB315.9 million in 2017 from approximately RMB271.6 million in 2016. This increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB80.6 million, or 98.4% to approximately RMB162.6 million in 2017 from approximately RMB82.0 million in 2016. This increase was mainly attributable to the commencement of operation of new hotels.

Cinema, department store and cultural centre operations

Revenue from cinema, department store and cultural centre operations decreased by approximately RMB17.8 million, or 7.0%, to approximately RMB235.5 million in 2017 from approximately RMB253.3 million in 2016.

Water-way passenger and cargo transportation

The Group has further expansion into the business of water-way passenger and cargo transportation. Revenue from water-way passenger and cargo transportation for 2017 amounted to approximately RMB536.5 million.

Gross profit

As a result of the foregoing, the Group's gross profit increased by approximately RMB6,622.2 million, or 286.4%, to approximately RMB8,934.2 million in 2017 from approximately RMB2,312.0 million in 2016. The Group's gross profit margin increased to 27.3% in 2017 from 13.0% in 2016. The increase in gross profit margin was primarily attributable to a higher level of selling price attained in general for the properties completed and delivered to the purchasers during the year.

Other gains and losses – net

The Group had net other losses of approximately RMB123.5 million in 2017, as compared to net other losses of approximately RMB560.5 million in 2016. The Group's net other losses in 2017 mainly comprised compensation for breach of the contract of approximately RMB254.0 million, write-down of completed properties held for sale and properties under development of approximately RMB262.3 million, written off of trade and other receivables of approximately RMB140.5 million and other losses of approximately RMB15.8 million, offset by bad debt of other receivable recovery of approximately RMB450.0 million and government subsidy income of approximately RMB89.6 million. The Group's net other losses in 2016 mainly comprised write-down of completed properties held for sale and properties under development of approximately RMB670.6 million and other losses of approximately RMB37.6 million, offset by government subsidy income of approximately RMB80.1 million, gain on disposal of available-for-sale financial assets of approximately RMB38.5 million and dividend income received from available-for-sale financial assets of approximately RMB20.8 million.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB53.3 million, or 6.3%, to approximately RMB896.0 million in 2017 from approximately RMB842.7 million in 2016. The increase in selling and marketing costs was in line with the increase in the Group's contracted sales for the year ended 31 December 2017.

Administrative expenses

The Group's administrative expenses increased by approximately RMB755.9 million, or 43.3%, to approximately RMB2,501.2 million in 2017 from approximately RMB1,745.3 million in 2016. The increase was primarily attributable to (i) increase in staff costs as result of increase in number of employees and (ii) increase in donations .

Changes in fair value of investment properties

The changes in fair value of the Group's investment properties was approximately RMB2,088.8 million in 2017 and approximately RMB4,161.4 million in 2016. The increase in fair value of the Group's investment properties as at 31 December 2017 was in line with the prevailing market conditions of general increases in rental levels of comparable properties.

Changes in fair value of financial derivatives

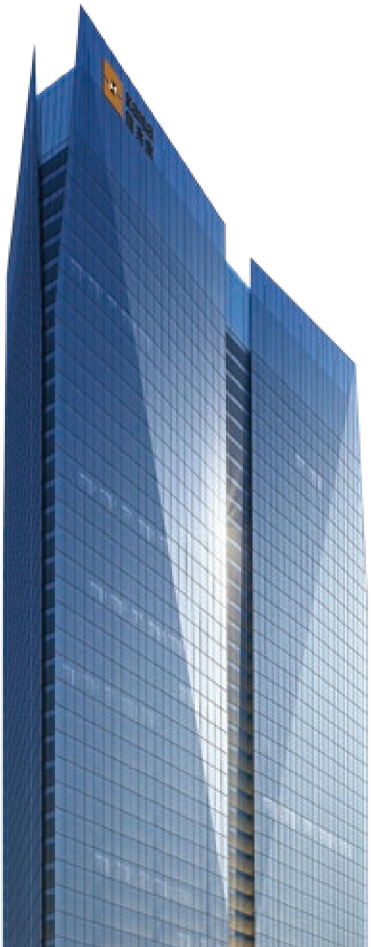
The Group recorded a loss arising from the changes in fair value of financial derivatives of approximately RMB969.2 million in 2017 and RMB21.5 million in 2016. The changes in fair value of financial derivatives in 2017 was primarily attributable to the changes in fair value of financial derivatives component of convertible bonds as result of the rise in share price of the Company.

Loss on step acquisition of a subsidiary

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

Gain on extinguishment of financial liabilities

In 2016, the debt restructuring was effected whereby the Group's offshore debts were exchanged for new notes. For those exchanges with substantially different terms, the offshore debts were derecognised and the new notes were recognised at their fair values at the effective date and resulted in a gain of approximately RMB716.1 million was recognised for the year ended 31 December 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

Finance income/(costs) – net

The Group recorded net finance income of approximately RMB247.8 million in 2017, compared to net finance costs of approximately RMB2,120.4 million in 2016. The change was mainly due to the net exchange gains of approximately RMB1,300.3 million whereas the net exchange losses of approximately of RMB1,237.3 million was recorded in last year. The net exchange gains/losses mainly arised from the U.S. dollar denominated offshore financing as a result of the appreciation/depreciation of Renminbi against the U.S. dollar.

Income tax expenses

The Group's income tax expenses increased by approximately RMB1,408.3 million, or approximately 63.6%, to approximately RMB3,622.6 million in 2017 from approximately RMB2,214.3 million in 2016. The increase was primarily attributable to the increase in operating profit in 2017.

Profit for the year and total comprehensive income for the year

As a result of the foregoing, the Group's profit for the year and total comprehensive income for the year amounted to approximately RMB3,043.8 million and approximately RMB3,037.5 million, respectively. (2016: loss for the year and total comprehensive loss for the year amounted to approximately RMB347.5 million and RMB347.7 million, respectively).

Liquidity, financial and capital resources

Cash position

As at 31 December 2017, the carrying amount of the Group's cash and bank deposits was approximately RMB21,170.2 million (31 December 2016: approximately RMB16,572.6 million), representing an increase of 27.7% as compared to that as at 31 December 2016. 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 2017, 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 RMB7,939.6 million as at 31 December 2017 (31 December 2016: approximately RMB5,696.6 million).

Exchange offer, new senior notes and convertible bonds

On 30 June 2017, the Company completed an exchange offer (the "**Exchange Offer**") pursuant to which the existing series senior notes (the "**Existing Series A-E Notes**") were exchanged for 7.25% senior notes due 2020 (the "**New 2020 Notes**"), 7.875% senior notes due 2021 (the "**New 2021 Notes**"), 8.50% senior notes due 2022 (the "**New 2022 Notes**") and 9.375% senior notes due 2024 (the "**New 2024 Notes**") (together with the New 2020 Notes, the New 2021 Notes, the New 2022 Notes, the New 2024 Notes, the "**New Senior Notes**"). Approximately US$2,657.9 million of the Existing Series A-E Notes, representing approximately 93.1% of the total aggregate principal amounts of the outstanding Existing Series A-E Notes, have been validly tendered for exchange and accepted pursuant to the Exchange Offer. In August 2017, the Company redeemed the outstanding amounts of approximately US$197.6 million of the Existing Series A-E Notes. Concurrently, the Company issued additional New Senior Notes with aggregate principal amount of approximately US$285 million, US$805 million and US$619 million in August, September and November 2017 respectively that form a single series with the corresponding senior notes issued in the Exchange Offer. The New Senior Notes are listed and traded on the Singapore Stock Exchange.

On 30 June 2017, the Company issued convertible bonds of approximately US$265.9 million in exchange for the then principal amount of the mandatorily exchangeable bonds (the "**MEBs**") in accordance with the terms of the MEBs. During the period from July 2017 to October 2017, convertible bonds of approximately US$265.2 million have been converted into ordinary shares of the Company and the Company has redeemed in aggregate of approximately US$0.7 million convertible bonds in August 2017 and November 2017.

Borrowings and charges on the Group's assets

As at 31 December 2017, the Group had aggregate borrowings of approximately RMB111,173.2 million, of which approximately RMB22,173.0 million will be repayable within 1 year, approximately RMB16,091.7 million will be repayable between 1 and 2 years, approximately RMB50,453.9 million will be repayable between 2 and 5 years and approximately RMB22,454.6 million will be repayable over 5 years. As at 31 December 2017, the Group's bank and other borrowings of approximately RMB64,455.8 million were secured by other deposits, short-term bank deposits, property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale of the Group and certain shares of the Company's subsidiaries and joint ventures with total carrying values of approximately RMB71,964.2 million.

As at 31 December 2017, the New Senior Notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key financial ratios

As at 31 December 2017, the Group had a leverage ratio (i.e. its net debts (total borrowings net of cash and bank balances, short-term bank deposits, and restricted cash) over total assets) of 42.2% (31 December 2016: 42.8%). The Group's net current assets decreased by 3.4% from approximately RMB72,421.7 million as at 31 December 2016 to approximately RMB69,956.0 million as at 31 December 2017, and the current ratio decreased to 1.8 times as at 31 December 2017 as compared to 2.2 times as at 31 December 2016.

Cost of borrowings

During the year ended 31 December 2017, the Group's total cost of borrowings (including net exchange gains/losses) was approximately RMB6,676.3 million, representing a decrease of approximately RMB1,501.1 million or 18.4% as compared to the corresponding period in 2016. The decrease was primarily attributable to the net exchange gains recorded in the year, partially offset by the increase in total interest expense.

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 2017, the Group had cash and bank balances denominated in US$ of approximately RMB1,951.4 million, in HK$ of approximately RMB1,716.4 million, and in EUR of approximately RMB2.6 million and the New Senior Notes, with an aggregate outstanding principal amount of approximately US$5,166.7 million, and other offshore banking facilities denominated in HK$ of approximately HK$835.9 million, which are subject to foreign currency exposure.

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

Financial guarantees

As at 31 December 2017, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB30,094.9 million (31 December 2016: approximately RMB21,843.2 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

In July 2017, the Group entered into an agreement in relation to acquisition of 17.7% of the issued shares of Nam Tai Property Inc., a company incorporated in the British Virgin Islands, the common shares of which are listed and traded on the New York Stock Exchange under the symbol NTP.

In September 2017, the Group entered into an agreement in relation to acquisition of 21.25% of the issued share capital of Guangdong Mingjia Lianhe Mobile Technology Co. Ltd. (廣東明家聯合移動科技股份有限公司) a company established under the laws of PRC with limited liability which is currently listed on the Shenzhen Stock Exchange (stock code: 300242).

In November 2017, the Group entered into an agreement in relation to acquisition of 18.57% of the issued share capital of the Zhenxing Biopharmaceutical & Chemical Co., Ltd. (振興生化股份有限公司), a company established under the laws of PRC with limited liability which is currently listed on the Shenzhen Stock Exchange (stock code: 403).

On 13 November 2017, the Group increased its shareholding in the issued share capital of Kaisa Health Group Holdings Limited from 21.72% as at 31 December 2016 to 41.24%, after the completion of right issue of Kaisa Health Group Holdings Limited. Kaisa Health Group Holdings Limited is a company incorporated in Bermuda, which its shares are listed on the Hong Kong Stock Exchange (stock code: 876).

Save as disclosed above, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2017. There was no plan authorised by the Board for material investments or additions of capital assets at the date of this report.

Employees and remuneration policy

As at 31 December 2017, the Group had approximately 12,810 employees (31 December 2016: approximately 9,944 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2017 amounted to approximately RMB1,627.9 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 22 November 2009. Further information of share option scheme has been set out in this report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks pertaining to the property market in the PRC

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

Operational Risks

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

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

Legal Risk

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

Financial Risk

The financial risk management of the Group are set out in note 3 to the consolidated financial statements of the Company.

PROJECT PORTFOLIO — SUMMARY

CITIES WE ENTERED INTO BY 2017

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. JIAXING
21. SHAOXING
22. WUHAN
23. CHANGSHA
24. ZHUZHOU
25. ZHENGZHOU
26. NANCHONG
27. CHENGDU
28. CHONGQING
29. GUANGZHOU
30. HUIZHOU
31. DONGGUAN
32. FOSHAN
33. ZHUHAI
34. SHENZHEN
35. ZHONGSHAN

Total GFA of approximately

21.9 *million sq.m.*

The Pearl River Delta	58%
The Pan-Bohai Bay Rim	15%
The Western China Region	12%
The Central China Region	6%
The Yangtze River Delta	9%

PROJECT PORTFOLIO — SUMMARY

We have accumulated substantial experience in developing 126 projects. The map below shows the geographical coverage of our property development projects as at 31 December 2017.

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

Shenyang Kaisa Center, Shenyang Kaisa Yuefeng, 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 Hot Spring Resort Project, Dandong Kaisa Mansion No. 1, Dalian Kaisa Center, Dalian Kaisa Plaza

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

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

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, Chengdu Kaisa Yuefu, Nanchong Kaisa Plaza, Nanchong Monarch Residence, Chongqing Kaisa Plaza, Chongqing Kaisa Bright Harbour, Chongqing Shaba Jingkou Project

THE CENTRAL CHINA REGION – CHANGSHA, ZHUZHOU, WUHAN, ZHENGZHOU

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

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

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

PROJECT PORTFOLIO — SUMMARY

PROJECT PORTFOLIO – AS AT 31 DECEMBER 2017

No.	Projects	Address	Location	Type[1]
The Pearl River Delta				
1	Shenzhen Woodland Height	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District	Shenzhen	Residential
2	Shenzhen Mocha Town	Busha Road, Longgang District	Shenzhen	Residential
3	Shenzhen Kaisa Center [2]	East of Shangbu Nan Road and North of Nanyuan Road, Futian District	Shenzhen	Residential
4	Shenzhen Lake View Place	Juction of Xincheng Road and Pingxi Road, Longgang Distric	Shenzhen	Residential
5	Shenzhen Xiangrui Garden	North of Beihuan Highway, Nanashan District	Shenzhen	Residential
6	Shenzhen Mingcui Garden	Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District	Shenzhen	Residential
7	Shenzhen Jincui Garden	Cuizhu Road, Luohu District	Shenzhen	Residential
8	Shenzhen Shangpin Garden	Bantian Community, Bantian Street, Longgang District	Shenzhen	Residential
9	Shenzhen Kaisa Financial Center	Shennan Avenue, Futian District	Shenzhen	Commercial
10	Shenzhen Metro City [2]	Buji Station, Shenhui Road, Nanmendun, Buji Town, Longgang District	Shenzhen	Residential
11	Shenzhen Kaisa City Plaza	Banxuegang Avenue, Longgang District	Shenzhen	Residential
12	Shenzhen Kaisa Metropolitan Homeland [2]	Mumianwan Station, Longgang Avenue, Buji, Longgang District	Shenzhen	Residential
13	Shenzhen Dapeng Kaisa Peninsula Resort	Yingbin Avenue, Yantian District	Shenzhen	Commercial
14	Shenzhen Kaisa Yuefeng Garden	Bulong Road, Bantian, Longgang District	Shenzhen	Residential
15	Shenzhen Yantian City Plaza	Mingzhu Avenue, Yantian District	Shenzhen	Residential
16	Shenzhen Kaisa Golden Bay International Park [3]	Xiasha Community, Dapeng Street, Dapeng New District	Shenzhen	Commercial
17	Shenzhen Marriott Hotel Golden Bay	No. 8 Jinsha Road, Xiasha Community, Dapeng New District	Shenzhen	Commercial
18	Shenzhen Kaisa Qianhai Plaza	Junction of Yueliangwan Avenue and Miansha Road, Nanshan District	Shenzhen	Residential
19	Shenzhen Pinghu Kaisa Plaza [3]	Juction of Shouzhen Street and Pinghu Avenue, Pinghu Street, Longgang District	Shenzhen	Residential
20	Shenzhen Kaisa Future City	Junction of Ruyi Road and Dayun Road, Longcheng Street, Longgang District	Shenzhen	Residential
21	Shenzhen Nan'ao Project	Shuitousha Beach, Nan'ao Street, Dapeng District	Shenzhen	Commercial
22	Guangzhou Jinmao [2]	No. 191 Tiyu West Road, Tianhe District	Guangzhou	Commercial
23	Guangzhou Kaisa Plaza	No. 78 Huangpu Avenue West, Zhujiang New Town, Tianhe District	Guangzhou	Commercial
24	Guangzhou Monarch Residence	No. 99 Jiangnan Avenue Central, Haizhu District	Guangzhou	Residential
25	Guangzhou Kaisa Mansion No. 1	No. 555 Huangpu Avenue, Financial Center, Tianhe District	Guangzhou	Residential
26	Guangzhou Sky Villa	Tongbao Road, Guangzhou Avenue North, Baiyun District	Guangzhou	Residential
27	Guangzhou Sky Mansion	Lot No. 1, Meihua Garden, Shatai Road, Baiyun District	Guangzhou	Residential
28	Guangzhou Kaisa City Plaza	Lot No. 49, Nangang, Yunpu Industrial Zone, Huangpu District	Guangzhou	Residential
29	Guangzhou Kaisa Future City	No. 3889 Huangpu Avenue East, Huangpu District	Guangzhou	Commercial
30	Guangzhou Nantian Project	East of Beihao Chung, North West to the Luoxi Bridge, Haizhu District	Guangzhou	Commercial
31	Guangzhou Kaisa Sky Bright	No. 151 Xiaogang Road, Haizhu District	Guangzhou	Residential
32	Guangzhou Kaisa Sky Pride	71 Beizhan Road, Yuexiu District	Guangzhou	Residential
33	Foshan Shunde Kaisa Mocha Town	Lot No. 1, South of the Central District, Xingtan Town, Shunde District	Foshan	Residential
34	Foshan Shunde Kaisa Shangpin Garden	Linshang North Road, Beijiao New Town, Shunde District	Foshan	Residential
35	Foshan Shunde Kaisa Golden World	West of Waihuan Road, Ronggui Town, Shunde Diistrict	Foshan	Residential
36	Foshan Kaisa Bingo	No. 169 Guangfo Road, Huangqi Town, Nanhai District	Foshan	Commercial
37	Foshan Kaisa Bingdoe [3]	No. 97 Yanbu Huanzhen North road, Dali Town, Nanhai District	Foshan	Commercial
38	Dongguan Zhongyang Haomen	Longsheng Road, Xincheng District, Shilong Town	Dongguan	Residential
39	Dongguan Dongjiang Haomen	South of Dongjiang Road, Yangwu Village and Qishi Village, Qishi Town	Dongguan	Residential
40	Dongguan Shui'an Haomen	Fengshen Avenue, Fenggang Town	Dongguan	Residential
41	Dongguan Dijingwan	Jinshawan Square, Xincheng District, Shilong Town	Dongguan	Residential
42	Dongguan Le Grand Bleu	Xinwei Village Group, Qisha Village, Shatian Town	Dongguan	Residential
43	Dongguan Oasis Town	Xiping Community, Junction of Huancheng Road and Green Road, Nancheng District	Dongguan	Residential
44	Dongguan Yulongshan Garden	Jinzhou Community, Humen Town	Dongguan	Residential
45	Dongguan Shilong Project [3]	Junction of Jiangnan Middle Road and Xihu no. 1 road, Xihu District, Shilong Town	Dongguan	Residential
46	Dongguan Riverside Woods Palace [3]	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential
47	Dongguan Riverside Hillview Palace [3]	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential
48	Huizhou Kaisa Mansion No. 1	Gutang'ao Miaozaikeng	Huizhou	Residential
49	Huizhou Kaisa Center	No. 18 Subdistrict, Jiangbei, Huicheng District	Huizhou	Commercial
50	Huizhou Yuanzhou Project [4]	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Buluo Country	Huizhou	Residential
51	Huizhou Riverbank New Town	Committee, Hengkeng, Luoyang Town, Boluo County	Huizhou	Residential
52	Huizhou Kaisa Mountain Bay	Huangbujiao, Lianfeng Village, Renshan Town, Huidong County	Huizhou	Residential
53	Huizhou Kaisa Times Mocha Town	Junction of Zhongkai Avenue and Jinbang Road, Huicheng District	Huizhou	Residential
54	Huizhou Boluo Woodland Height [3]	Jiangnanxincheng, Luoyang Town, Boluo County	Huizhou	Residential
55	Huizhou Longmen Shangtianran Project [3]	Laiwu Village, Longtian Town, Longmen County	Huizhou	Residential
56	Zhuhai Lake View Waldorf Garden [3]	Shangsha Street, Wanzai, Xiangzhou District	Zhuhai	Residential
57	Zhuhai Golden World	Huangyang North Avenue, Wangbao Reservoir, Jintai Temple, Doumen Town, Doumen District	Zhuhai	Residential
58	Zhuhai Kaisa Monarch Residence	North of Zhufeng Avenue, Qianwu Town, Doumen District	Zhuhai	Residential
59	Zhongshan Kaisa Xiangshan Royal Palace	No. 3 Jinzhong Road, Jinzhong Village, Banfu Town	Zhongshan	Residential
60	Zhongshan Kaisa Shangpin Garden	Nanlang Town	Zhongshan	Residential
61	Zhongshan Kaisa Metro City	Junction of Xingbao Road and Yunsheng Road, Shaxi Town	Zhongshan	Residential
The Western China Region				
62	Chengdu Kaisa Monarch Residence	Erjiangsi Village, Huayang Town, Shuangliu County	Chengdu	Residential
63	Chengdu Lijing Harbour	Group 1 and 2, Huafeng Village, Yongquan Street, Wenjiang District	Chengdu	Residential
64	Chengdu Modern Town	Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County	Chengdu	Commercial
65	Chengdu Kaisa Mansion No. 8	South Sanzhiqu Area, Dongsheng Street, Shuangliu County	Chengdu	Residential
66	Chengdu Kaisa City Plaza	Group 1 and 2, Machang Village, Wenjia Street Office, Qingyang District	Chengdu	Residential
67	Chengdu Kaisa Leading Town	Group 6 and 7, Taiji Community, Gongping Street Office, Wenjiang District	Chengdu	Residential
68	Chengdu Kaisa Yuefu [3]	Junction of Fengxiang Avenue and Fenghuang Avenue, Qingbaijiang District	Chengdu	Residential
69	Nanchong Kaisa Plaza	No. 39 Zhengyang East Road, Shunqing District	Nanchong	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%
1	14,411	142,000	–	–	142,000	100%
1-4	5,241	124,479	124,479	–	–	100%
1-4	179,642	1,084,854	740,704	344,150	–	100%
1-4	19,393	138,892	138,892	–	–	100%
1-2	48,256	186,466	186,466	–	–	100%
1-2	47,890	165,455	165,455	–	–	100%
1-3	170,311	694,042	100,211	225,635	368,196	100%
1-4	869,838	516,030	–	–	516,030	51%
1	34,449	77,834	77,834	–	–	100%
1-2	49,582	295,749	295,749	–	–	51%
1-2	168,430	475,000	–	289,041	185,959	100%
1-2	48,773	279,003	–	159,453	119,550	100%
1	25,966	51,930	–	–	51,930	100%
1-9	14,192	233,322	233,322	–	–	100%
–	7,106	117,522	117,522	–	–	100%
–	7,707	56,666	56,666	–	–	100%
1	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	320,272	456,046	–	100%
1-3	321,261	547,995	370,358	–	177,637	90%
1-3	78,644	315,343	–	–	315,343	70%
1	3,038	16,182	–	–	16,182	100%
1	7,759	29,383	–	–	29,383	100%
1-5	71,200	234,422	234,422	–	–	100%
1-4	32,819	98,021	98,021	–	–	100%
1-9	197,584	645,921	379,714	257,718	8,489	100%
–	14,406	101,398	–	–	101,398	100%
–	15,271	61,000	–	–	61,000	100%
–	82,742	377,481	377,481	–	–	100%
1	86,324	243,296	243,296	–	–	100%
1	70,734	200,386	200,386	–	–	80%
1-2	46,474	155,432	155,432	–	–	100%
1-4	239,050	717,084	217,023	158,773	341,288	100%
1-4	65,021	150,772	150,772	–	–	100%
1-2	33,910	109,180	109,180	–	–	100%
–	5,567	10,131	–	–	10,131	100%
–	65,295	104,472	–	–	104,472	85%
–	70,894	177,235	–	–	177,235	90%
1-10	89,998	260,577	260,577	–	–	100%
1-3	70,859	722,945	722,945	–	–	100%
–	20,400	61,200	–	–	61,200	100%
1-10	1,663,969	4,326,239	1,078,406	668,619	2,579,214	100%
1-3	169,331	295,754	–	–	295,754	100%
1-5	289,186	642,616	–	148,620	493,996	51%
1-4	176,724	441,810	–	–	441,810	100%
1-4	387,335	630,000	–	–	630,000	70%
1-4	164,354	550,431	180,316	–	370,115	100%
1-4	192,710	316,037	109,271	148,831	57,935	100%
–	16,088	28,958	–	–	28,958	100%
1	21,061	69,794	–	–	69,794	100%
1	22,307	86,957	–	–	86,957	80%
1-2	61,873	248,500	–	–	248,500	80%
1-3	182,666	1,041,531	1,041,531	–	–	100%
1	150,071	761,542	761,542	–	–	100%
1-2	133,269	362,420	362,420	–	–	100%
1-5	120,570	633,275	341,000	292,275	–	80%
1-4	112,194	460,901	268,097	192,804	–	100%
1-2	57,528	342,533	129,086	213,447	–	100%
1-2	113,411	447,537	–	–	447,537	100%
1-2	29,541	116,634	116,634	–	–	100%

PROJECT PORTFOLIO — SUMMARY

No.	Projects	Address	Location	Type[1]
70	Nanchong Monarch Residence	No. 308 Baituba Road Shunqing District	Nanchong	Residential
71	Chongqing Kaisa Plaza	Longzhouwan Street, Banan District	Chongqing	Residential
72	Chongqing Kaisa Bright Harbour	Baqiao Town, Dadukou District	Chongqing	Residential
73	Chongqing Shaba Jingkou Project	Ertang Village, Jingkou Street, Jingkou Town, Shapingba District	Chongqing	Commercial & Residential
The Pan-Bohai Bay Rim				
74	Shenyang Kaisa Center	East of Qingnian Avenue, Shenhe District	Shenyang	Commercial
75	Shenyang Kaisa Yuefeng	Changbai South Road, Heping District	Shenyang	Residential
76	Yingkou Dragon Bay	Junction of Xinxin Road and Bohai Street, Laobian District	Yingkou	Residential
77	Yingkou Monarch Residence	West of Xuefu Road, East of Shifu Road, South of New Donghai Street, Laobian District	Yingkou	Residential
78	Anshan Lake View Waldorf	Shengli North Road, Lishan District	Anshan	Residential
79	Anshan Monarch Residence	South of Ziyou Dong Road, East of Anqian Road, Lishan District	Anshan	Residential
80	Anshan Kaisa Plaza	Renmin Road, Tiexi District	Anshan	Commercial
81	Benxi Lake View Place	Binhe North Road, Mingshan District	Benxi	Residential
82	Panjin Kaisa Center	No. 1, Shifu Avenue, Xinglongtai District	Panjin	Residential
83	Huludao Suizhong Kaisa Dongdaihe	South of Binhai Road, Dongdaihe New district, Suizhong County	Huludao	Residential
84	Weifang Kaisa Golden World	North of Bailanghe Reservoir Dam, South of Weijiao Road	Weifang	Residential
85	Qingdao Lake View Place	East of Zhongjianger Read, West of Wangsha Road and South of Baishahe, Xiazhuang Street. Chengyang District	Qingdao	Residential
86	Dandong Kaisa Mansion No. 1	South of Huanghai Avenue, Zhenxing District	Dandong	Residential
87	Liaoyang Hot Spring Resort Project	Tanghe Town, Gongchangling District	Liaoyang	Residential
88	Dalian Kaisa Center	Donggang Business District, Zhongshan District	Dalian	Commercial
89	Dalian Kaisa Plaza	No. 271 Tianjin Street, Zhongshan District	Dalian	Commercial
The Central China Region				
90	Changsha Lake View Place	Jinping Village, Tiaoma County	Changsha	Residential
91	Changsha Kaisa Times Square	Yingpan East Road, Furong District	Changsha	Residential
92	Changsha Meixi Lake Project	Meixi Lake, Yuelu District	Changsha	Residential
93	Zhuzhou Golden World	Liyu Central Business Area, Tianyuan District	Zhuzhou	Residential
94	Wuhan Golden World	Junction of Baisha Road and Qingling East Road, Qingling County, Hongshan District	Wuhan	Residential
95	Wuhan Kaisa Mansion No. 1	North of Zhiyin Avenue, West of Yangcheng West Road, Hangyang District	Wuhan	Residential
96	Wuhan Kaisa Plaza	No. 336 Wuluo Road, Wuchang District	Wuhan	Residential
97	Wuhan Kaisa Yuefu	North of Jinbei no. 1 Road and East of Wuxinganxian, Jinghe Street, Dongxi Lake District	Wuhan	Residential
98	Zhengzhou Kaisa Yuefeng	West of Wenhua Road and South of Zhongxing Road, Xinzheng District	Zhengzhou	Residential
The Yangtze River Delta				
99	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwaihuan Road, and North of Renmin Road	Jiangyin	Residential
100	Jiangyin Gushan Mocha Town	South of Golden Gushan Garden and West of Xingfu Avenue, Gushan Town	Jiangyin	Residential
101	Jiangyin Kaisa Plaza	No. 1091 Renmin East Road	Jiangyin	Residential
102	Jiangyin Zhouzhuang Golden World	East of Zhouxi Dong Road, Zhouzhuang Town	Jiangyin	Residential
103	Jiangyin Changjing Lake View Waldorf	East of Xinglong Road and South of Dongshun Road, Changjing Town	Jiangyin	Residential
104	Jiangyin Tonghui Garden	North of Tonghui Road, West of Tongjiang Road, and South of Tongfu Road	Jiangyin	Residential
105	Jiangyin Fuqiao Homeland	North of Chengxi Road, West of Tongdu Road, and South of Binjiang Road	Jiangyin	Residential
106	Changzhou Phoenix Lake No. 1	South of Qingyang Road, Xuejia Town, Xinbei District	Changzhou	Residential
107	Taizhou Kaisa Mansion No. 1	North of Chenzhuang Road and West of No. 11 Road, Taizhou Economic Development Area	Taizhou	Residential
108	Shanghai Shanhuwan Garden	No. 4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai	Residential
109	Shanghai Shangpin Garden	Kangfeng North Road and Kangnian Road, Malu Town, Jiading District	Shanghai	Residential
110	Shanghai Kaisa Mansion No. 8	No. 99 Alley, Juting Road, Zhuanghang Town, Fengxian District	Shanghai	Residential
111	Shanghai Kaisa City Plaza	Junction of Shengzhu East Road and Chengliu Road, Xuhang Town, Jiading District	Shanghai	Residential
112	Shanghai Kaisa Mansion	Junction of Minsheng Road and Middle Yanggao Road, Pudong District	Shanghai	Commercial
113	Shanghai Kaisa Monarch Residence	Junction of Songjian Road and Fumao Road, Chonggu Town, Qingpu District	Shanghai	Residential
114	Shanghai Kaisa City Garden	East of Qiyuan Road, West of Xiaoxin River, South of Shupindong Road and North of Xinjian No. 1 Road, Xuhang Town, Jiading District	Shanghai	Residential
115	Taicang Lake View Waldorf	No. 1 Jinan Road, Science-Education New Town	Taicang	Residential
116	Hangzhou Jade Dragon Court	North of Zhennan Road, Zhijiang National Holiday Resort, West Lake District	Hangzhou	Residential
117	Hangzhou Kaisa Monarch Residence	North of Shitang Road and West of Donghu Road, Qiaosi Street, Yuhang District	Hangzhou	Residential
118	Hangzhou Puyu Court	Jingfeng Community, Wuchang Street, Yuhang District	Hangzhou	Residential
119	Hangzhou Fuyang Yinhu Project	Dashanjiao Village, Yinhu Street, Fuyang District	Hangzhou	Residential
120	Shaoxing Kaisa Monarch Residence	Fuquan Street, Keqiao District	Shaoxing	Residential
121	Suzhou Kaisa Plaza	West of Tayuan Road and South of Zhuyuan Road, Shishan Street, High-tech District	Suzhou	Residential
122	Suzhou Kaisa Monarch Residence	South of Xingye Road and East of Sudai Road, Huangqiao Street, Xiangcheng District	Suzhou	Residential
123	Suzhou Kaisa Yufeng	South of Pangshan Road and West of Huxin Road, Wujiang District	Suzhou	Residential
124	Nanjing Kaisa City Plaza	Lot No. 20-7, South of Hexi Area, Jianye District	Nanjing	Residential
125	Nanjing Kaisa Sky Mansion	D Area No. 560 Heyan Road, Xixia District	Nanjing	Residential
126	Jiaxing Xitang Project	East of Hongfu Road and South of Nanyuan Road, Xitang Town	Jiaxing	Residential
	Total [5]			

Note:

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

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

3 Including

(i) Shenzhen Kaisa Golden Bay International Park;

(ii) A portion of land with a site area of 33,620 sq. m. for Shenzhen Pinghu Kaisa Plaza;

(iii) Dongguan Shilong Project;

(iv) Dongguan Riverside Woods Palace;

(v) Dongguan Riverside Hillview Palace;

(vi) A portion of land with a site area of 220,311 sq. m. for Zhuhai Lake View Waldorf Garden;

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA: Completed properties (sq. m.)	Total GFA: Under Development (sq. m.)	Total GFA: Future Development (sq. m.)	Interest attributable to us
1-3	256,187	813,746	813,746	–	–	100%
1-3	119,767	481,362	369,035	112,327	–	100%
1-10	324,327	989,399	295,498	585,049	108,852	100%
–	56,788	141,945	–	–	141,945	100%
1	21,423	292,331	292,331	–	–	100%
1	12,947	38,844	–	38,844	–	100%
1-2	220,669	593,302	347,000	–	246,302	100%
1-2	71,922	233,745	233,745	–	–	100%
1-3	257,090	390,325	213,922	61,994	114,409	100%
1-4	129,739	389,216	133,214	156,844	99,158	100%
1-2	11,238	85,148	85,148	–	–	100%
1	122,200	324,480	324,480	–	–	100%
1-2	52,812	355,786	255,432	–	100,354	100%
1-8	1,269,571	1,976,565	671,789	493,850	810,926	100%
1-2	128,018	131,112	–	131,112	–	100%
1-3	229,865	391,417	179,701	211,716	–	100%
1-4	133,340	331,542	124,946	206,596	–	100%
1-10	372,427	309,114	–	309,114	–	100%
1-2	26,610	156,239	78,619	77,620	–	100%
–	15,955	78,454	78,454	–	–	100%
1-4	673,536	938,203	938,203	–	–	100%
–	21,770	108,731	108,731	–	–	100%
1-8	253,693	894,104	228,105	549,187	116,812	100%
1-3	222,182	597,728	597,728	–	–	100%
1-3	181,493	605,941	605,941	–	–	100%
–	40,351	156,763	156,763	–	–	100%
1	26,861	143,162	–	143,162	–	100%
1-2	128,539	354,247	–	–	354,247	100%
1	69,499	204,972	–	157,464	47,508	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%
1-3	147,143	306,788	220,546	–	86,242	100%
1-2	93,275	149,763	149,763	–	–	100%
–	41,440	73,615	73,615	–	–	100%
–	35,801	134,535	134,535	–	–	100%
1-2	101,819	253,356	253,356	–	–	100%
1-5	192,505	327,303	84,138	–	243,165	51%
1-4	104,796	140,151	140,151	–	–	100%
–	23,307	84,448	84,448	–	–	100%
1-2	143,053	251,926	116,474	135,452	–	100%
1-3	117,256	331,724	305,509	26,215	–	100%
1	11,088	77,811	–	77,811	–	100%
1-2	90,642	212,240	–	212,240	–	100%
1	23,638	55,429	–	55,429	–	100%
1-3	87,741	201,346	201,346	–	–	100%
–	39,376	98,041	98,041	–	–	100%
–	36,595	100,849	100,849	–	–	100%
1	74,779	207,476	207,476	–	–	100%
1	26,000	35,620	–	–	35,620	100%
1	19,852	72,448	–	72,448	–	70%
1-2	33,234	123,216	72,448	50,768	–	100%
1-2	59,629	197,069	75,339	121,730	–	100%
1	29,911	81,945	–	–	81,945	100%
1-3	109,832	415,986	105,917	310,069	–	100%
1	27,376	89,590	–	–	89,590	100%
1	38,881	64,857	–	64,857	–	51%
	16,125,455	**43,188,373**	**23,739,280**	**8,234,025**	**11,215,068**	

(vii) Foshan Bingdoe Project;
(viii) Huizhou Longmen Shangtianran Project;
(ix) Chengdu Kaisa Yuefu;
(x) A portion of land with a site area of 341,897 sq. m. for Huludao Suizhong Kaisa Dongdaihe;
for which as at 31 Dec 2017, the Group has not obtained the land use right certificate, but has entered into land grant contracts or obtained confirmation from the relevant land and resources bureau.

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

5 As at 31 Dec 2017, the GFA of total completed properties for sale reached 2,458,714 sq. m.

PROJECT PORTFOLIO — SUMMARY

PROPERTIES UNDER DEVELOPMENT

The table below sets forth certain information of our property projects or project phases under development as at 31 December 2017. 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	4	344,150	263,244
Shenzhen Yantian City Plaza	Shenzhen	1(8)	137,907	68,950
Shenzhen Yantian City Plaza	Shenzhen	1(3)	87,728	71,344
Shenzhen Pinghu Kaisa Plaza	Shenzhen	1(5)	168,421	52,439
Shenzhen Pinghu Kaisa Plaza	Shenzhen	1(7)	120,620	82,527
Shenzhen Kaisa Future City	Shenzhen	1(1)	70,663	41,879
Shenzhen Kaisa Future City	Shenzhen	1(2)	88,790	80,340
Guangzhou Kaisa Mansion No. 1	Guangzhou	1	86,138	57,852
Guangzhou Sky Villa	Guangzhou	2	65,003	48,135
Guangzhou Sky Villa	Guangzhou	1	165,574	142,521
Guangzhou Kaisa City Plaza	Guangzhou	1(3)	279,873	196,821
Guangzhou Kaisa City Plaza	Guangzhou	4	115,259	84,191
Guangzhou Kaisa City Plaza	Guangzhou	3	60,914	50,924
Foshan Shunde Kaisa Golden World	Foshan	7	167,446	158,800
Foshan Shunde Kaisa Golden World	Foshan	8	90,272	89,211
Dongguan Le Grand Bleu	Dongguan	1	158,773	139,116
Huizhou Riverbank New Town	Huizhou	5	177,623	143,176
Huizhou Riverbank New Town	Huizhou	6	107,939	87,712
Huizhou Riverbank New Town	Huizhou	7	237,647	114,669
Huizhou Riverbank New Town	Huizhou	8	145,410	109,128
Huizhou Kaisa Times Mocha Town	Huizhou	1	148,620	135,658
Zhuhai Golden World	Zhuhai	2	57,935	41,543
Zhuhai Golden World	Zhuhai	3	90,896	78,503
Chengdu Kaisa Mansion No. 8	Chengdu	4	149,627	108,515
Chengdu Kaisa Mansion No. 8	Chengdu	5	142,648	94,620
Chengdu Kaisa City Plaza	Chengdu	3	96,246	72,598
Chengdu Kaisa City Plaza	Chengdu	4	96,558	70,021
Chengdu Kaisa Leading Town	Chengdu	2	213,447	154,624
Chongqing Kaisa Plaza	Chongqing	3	112,327	95,473
Chongqing Kaisa Bright Harbour	Chongqing	3	102,520	85,433
Chongqing Kaisa Bright Harbour	Chongqing	4	370,065	243,069
Chongqing Kaisa Bright Harbour	Chongqing	5	112,464	87,261
Shenyang Kaisa Yuefeng	Shenyang	1	38,844	37,120
Anshan Lake View Waldorf	Anshan	2	61,994	30,651
Anshan Monarch Residence	Anshan	1	88,844	46,146
Anshan Monarch Residence	Anshan	2	68,000	32,801
Huludao Suizhong Kaisa Dongdaihe	Huludao	6	123,037	104,653
Huludao Suizhong Kaisa Dongdaihe	Huludao	3(1)	94,464	91,325
Huludao Suizhong Kaisa Dongdaihe	Huludao	3(2)	70,970	59,051
Huludao Suizhong Kaisa Dongdaihe	Huludao	3(3)	97,279	68,879
Huludao Suizhong Kaisa Dongdaihe	Huludao	3(4)	108,100	70,709
Weifang Kaisa Golden World	Weifang	1	42,499	22,958
Weifang Kaisa Golden World	Weifang	2	88,613	61,286
Qingdao Kaisa Lake View Place	Qingdao	3(2)	123,104	101,706
Qingdao Kaisa Lake View Place	Qingdao	3(3)	88,612	59,569
Dandong Kaisa Mansion No. 1	Dandong	3	206,596	180,402
Liaoyang Hot Spring Resort Project	Liaoyang	1-2	309,114	294,833
Dalian Kaisa Center	Dalian	–	77,620	75,295
Changsha Meixi Lake Project	Changsha	5	142,365	100,723
Changsha Meixi Lake Project	Changsha	6	143,161	112,496
Changsha Meixi Lake Project	Changsha	3	263,661	207,461
Wuhan Kaisa Plaza	Wuhan	1	143,162	104,928
Zhengzhou Kaisa Yuefeng	Zhengzhou	1	157,464	129,120
Shanghai Kaisa Mansion No. 8	Shanghai	2	135,452	112,425
Shanghai Kaisa City Plaza	Shanghai	3	26,215	21,234
Shanghai Kaisa Center	Shanghai	1	77,811	49,896
Shanghai Kaisa Monarch Residence	Shanghai	1	71,347	53,510
Shanghai Kaisa Monarch Residence	Shanghai	2	140,893	97,758
Shanghai City Garden	Shanghai	1	55,429	48,223
Shaoxing Kaisa Monarch Residence	Shaoxing	1	72,448	47,503
Suzhou Kaisa Plaza	Suzhou	2	50,768	36,607
Suzhou Kaisa Monarch Residence	Suzhou	2	121,730	97,701
Nanjing Kaisa City Plaza	Nanjing	2	165,765	96,232
Nanjing Kaisa City Plaza	Nanjing	3	124,995	107,495
Nanjing Kaisa City Plaza	Nanjing	1	19,309	11,020
Jiaxing Xitang Project	Jiaxing	1	64,857	52,537
Total			**8,234,025**	**6,392,395**

PROJECT PORTFOLIO — SUMMARY

Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
Dec-17	Not yet obtained	2021 3Q	100%
Nov-17	Not yet obtained	2019 1Q	100%
Apr-17	Not yet obtained	2018 4Q	100%
Dec-17	Not yet obtained	2019 2Q	100%
Dec-17	Not yet obtained	2019 2Q	100%
Nov-17	Not yet obtained	2020 2Q	80%
Nov-17	Yes	2018 4Q	80%
Jan-15	Yes	2019 3Q	100%
Apr-17	Not yet obtained	2019 2Q	100%
Dec-16	Yes	2018 4Q	100%
Dec-16	Not yet obtained	2019 3Q	100%
Nov-15	Yes	2018 4Q	100%
Nov-15	Yes	2018 2Q	100%
Sep-17	Not yet obtained	2020 2Q	100%
Aug-11	Yes	2018 4Q	100%
May-16	Not yet obtained	2019 2Q	100%
Sep-16	Yes	2019 1Q	100%
Dec-16	Yes	2019 1Q	100%
Aug-17	Not yet obtained	2020 2Q	100%
Sep-17	Not yet obtained	2020 4Q	100%
Sep-17	Yes	2019 2Q	51%
May-12	Yes	2018 4Q	100%
Dec-12	Not yet obtained	2019 4Q	100%
Nov-17	Not yet obtained	2019 4Q	100%
Nov-17	Not yet obtained	2020 1Q	100%
Feb-16	Yes	2018 2Q	100%
Apr-16	Yes	2018 4Q	100%
Apr-15	Yes	2018 2Q	100%
Oct-17	Yes	2019 3Q	100%
Oct-16	Yes	2018 2Q	100%
Jun-17	Yes	2018 4Q	100%
Nov-17	Not yet obtained	2021 3Q	100%
Oct-17	Not yet obtained	2019 4Q	100%
Oct-16	Yes	2018 4Q	100%
Apr-17	Yes	2018 4Q	100%
Dec-17	Not yet obtained	2019 3Q	100%
Nov-17	Not yet obtained	2021 4Q	100%
Aug-16	Yes	2021 4Q	100%
Sep-17	Not yet obtained	2021 4Q	100%
Jul-17	Not yet obtained	2021 3Q	100%
May-17	Yes	2021 3Q	100%
Nov-12	Yes	2018 2Q	100%
Nov-12	Not yet obtained	2018 4Q	100%
May-14	Yes	2018 3Q	100%
Nov-17	Not yet obtained	2019 4Q	100%
Dec-17	Not yet obtained	2019 4Q	100%
Jan-17	Not yet obtained	2019 4Q	100%
Jan-14	Not yet obtained	2019 4Q	100%
Jun-17	Yes	2019 3Q	100%
Nov-17	Not yet obtained	2020 4Q	100%
Jan-17	Yes	2019 3Q	100%
Sep-17	Not yet obtained	2019 4Q	100%
Dec-17	Not yet obtained	2019 4Q	100%
Dec-13	Not yet obtained	2019 3Q	100%
Aug-13	Not yet obtained	2019 1Q	100%
Mar-16	Not yet obtained	2019 2Q	100%
Jun-16	Yes	2018 4Q	100%
Jun-16	Yes	2019 2Q	100%
Dec-17	Not yet obtained	2020 2Q	100%
Jun-17	Yes	2019 2Q	100%
Mar-16	Yes	2019 3Q	100%
Nov-14	Yes	2018 3Q	100%
Feb-16	Yes	2019 1Q	100%
Apr-16	Yes	2020 1Q	100%
Nov-17	Not yet obtained	2020 1Q	100%
Dec-17	Not yet obtained	2020 2Q	51%

PROJECT PORTFOLIO — SUMMARY

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The table below sets forth certain information of our property projects held for future development as at 31 December 2017.

Project
Shenzhen Kaisa Financial Center
Shenzhen Yantian City Plaza
Shenzhen Kaisa Golden Bay International Park
Shenzhen Pinghu Kaisa Plaza
Shenzhen Kaisa Future City
Shenzhen Nan'ao Project
Guangzhou Kaisa Future City
Guangzhou Nantian Project
Guangzhou Kaisa Sky Bright
Guangzhou Kaisa Sky Pride
Foshan Shunde Kaisa Golden World
Foshan Kaisa Bingo
Foshan Kaisa Bingdoe
Dongguan Le Grand Bleu
Dongguan Shilong Project
Dongguan Riverside Woods Palace
Dongguan Riverside Hillview Palace
Huizhou Yuanzhou Project
Huizhou Riverbank New Town
Huizhou Kaisa Mountain Bay
Huizhou Kaisa Times Mocha Town
Huizhou Boluo Woodland Height
Huizhou Longmen Shangtianran Project
Zhuhai Lake View Waldorf Garden
Zhuhai Golden World
Zhuhai Kaisa Monarch Residence
Zhongshan Kaisa Xiangshan Royal Palace
Zhongshan Kaisa Shangpin Garden
Zhongshan Metro City
Chengdu Kaisa Yuefu
Chongqing Kaisa Bright Habour
Chongqing Shaba Jingkou Project
Yingkou Dragon Bay
Anshan Lake View Waldorf
Anshan Monarch Residence
Panjin Kaisa Center
Huludao Suizhong Kaisa Dongdaihe
Changsha Meixi Lake Project
Wuhan Kaisa Yuefu
Zhengzhou Kaisa Yuefeng
Jiangyin Zhouzhuang Golden World
Taizhou Kaisa Mansion No. 1
Hangzhou Fuyang Yinhu Project
Suzhou Kaisa Yufeng
Nanjing Kaisa Sky Mansion
Total

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

PROJECT PORTFOLIO — SUMMARY

Location	Project Phase	Estimated Total GFA (sq.m.)	Estimated Completion Time[1]
Shenzhen	1	142,000	2020
Shenzhen	2-3	368,196	2020
Shenzhen	1-4	516,030	2020
Shenzhen	2	185,959	2020
Shenzhen	2	119,550	2020
Shenzhen	1	51,930	2021
Guangzhou	3	177,637	2020
Guangzhou	1-3	315,343	2020
Guangzhou	1	16,182	2021
Guangzhou	1	29,383	2021
Foshan	9	8,489	2018
Foshan	–	101,398	2020
Foshan	–	61,000	2020
Dongguan	2-4	341,288	2021
Dongguan	–	10,131	2021
Dongguan	–	104,472	2021
Dongguan	–	177,235	2021
Huizhou	–	61,200	2021
Huizhou	9-10	2,579,214	2019
Huizhou	1-3	295,754	2019
Huizhou	2-5	493,996	2019
Huizhou	1-4	441,810	2020
Huizhou	1-4	630,000	2019
Zhuhai	2-4	370,115	2019
Zhuhai	4	57,935	2019
Zhuhai	–	28,958	2019
Zhongshan	1	69,794	2019
Zhongshan	1	86,957	2019
Zhongshan	1-2	248,500	2019
Chengdu	1-2	447,537	2020
Chongqing	6-10	108,852	2019
Chongqing	–	141,945	2020
Yingkou	2	246,302	2021
Anshan	3	114,409	2020
Anshan	3-4	99,158	2020
Panjin	2	100,354	2021
Huludao	4,7	810,926	2020
Changsha	7-8	116,812	2021
Wuhan	1-2	354,247	2020
Zhengzhou	1	47,508	2019
Jiangyin	3	86,242	2021
Taizhou	5	243,165	2021
Hangzhou	1	35,620	2020
Suzhou	1	81,945	2019
Nanjing	1	89,590	2019
		11,215,068	

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 240,000 sq.m. with a total GFA of over 1,600,000 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 GOLDEN BAY INTERNATIONAL PARK (深圳佳兆業金沙灣國際樂園)

Shenzhen Kaisa Golden Bay International Park is located at Xiasha Community, Dapeng Street, Dapeng New Town. This project occupies an aggregate site area of approximately 870,000 sq.m. with a total GFA of approximately 520,000 sq.m. The 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.

SHENZHEN PINGHU KAISA PLAZA (深圳平湖佳兆業廣場)

Shenzhen Pinghu Kaisa Plaza is an urban redevelopment project and is located at Junction of Shouzhen Street and Pinghu Avenue, Pinghu Street, central district of Pinghu in Longgang District, Shenzhen. It is adjacent to the Shenzhen Metro Line 10 which is under planning. This project occupies a site area of approximately 170,000 sq.m. with a total GFA of approximately 480,000 sq.m.. Shenzhen Pinghu Kaisa Plaza is expected to comprise residential, commercial and office buildings as well as serviced apartments.

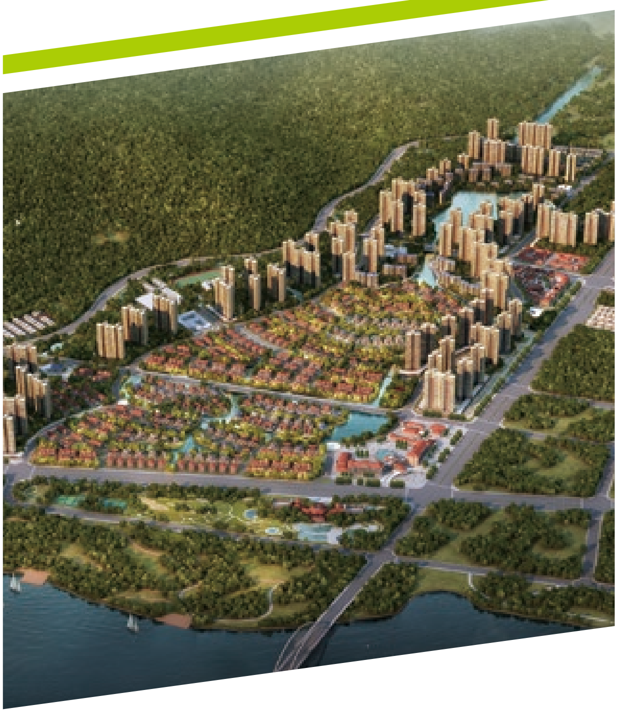
SHENZHEN KAISA FUTURE CITY (深圳佳兆業未來城)

Shenzhen Kaisa Future City is an urban redevelopment project and is located at Junction of Ruyi Road and Dayun Road, Longcheng Street, Longgang District, Shenzhen. It is adjacent to the Shenzhen Universiade Sports Centre and Longcheng Park in Longgang District. This project occupies a site area of approximately 49,000 sq.m. with a total GFA of approximately 280,000 sq.m.. Shenzhen Kaisa Future City is expected to comprise residential, commercial and office buildings as well as serviced apartments. The project is divided into two phases.

HUIZHOU

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 1,670,000 sq.m. with a total GFA of approximately 4,300,000 sq.m.. This project is 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.



HUIZHOU KAISA MOUNTAIN BAY (惠州佳兆業山海灣)

Huizhou Kaisa Mountain Bay is located at Binhai Area, Yapojiao, Huidong, Huizhou. This project occupies an aggregate site area of approximately 170,000 sq.m. with a total GFA of approximately 300,000 sq.m.. This project is expected to be a popular beachfront vacation spot in Southern China and mainly consists of small size beachfront resort apartments and townhouses.

GUANGZHOU

GUANGZHOU KAISA SKY VILLA (廣州佳兆業天墅)

Guangzhou Kaisa Sky Villa 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 66,000 sq.m. with a total GFA of approximately 230,000 sq.m.. This project is expected to comprise high-rise residential and villas with supplementary commercial space.

ZHUHAI

ZHUHAI KAISA MONARCH RESIDENCE (珠海佳兆業君匯上品)

Zhuhai Kaisa Monarch Residence is located at the Gangwu town center, Doumen, adjacent to Zhufeng Road, the arterial road, in its south that can easily access to Doumen, Jinwan central district and Zhuhai City. The project is adjacent to Gangwu Exit of Airport Express that can travel between neighboring cities in Pearl River Delta in short time and enjoy the benefits from Guangdong-Hong Kong-Macao Bay Area. The project occupies an aggregate site area of approximately 16,000 sq.m. with a total GFA of approximately 29,000 sq.m. This is an established community with modern Lingnan style in Gangwu. A commercial street is planned to construct in order to satisfy daily needs.

ZHUHAI GOLDEN WORLD (珠海御金山花園)

Zhuhai Golden World is the Group's major project which responses to the Zhuhai Government's plan of development in Western District and establishment of eco-tourism and green living in Doumen District. The project is surrounded on three sides by hills and faces the sea on one side. It enjoys the advantages from the environment and has rich of tourism resources nearby. The project occupies an aggregate site area of approximately 190,000 sq.m. with a total GFA of approximately 320,000 sq.m.. The project will be developed into 4 phases, including multi-storey, minor high-rise, high-rise and villa, with a design in Spanish architectural style or Spanish royal garden style.

FOSHAN

FOSHAN KAISA GOLDEN WORLD (佛山佳兆業金域天下)

Foshan Kaisa Golden World occupies an aggregate site area of approximately 200,000 sq.m. with a total GFA of approximately 650,000 sq.m. The project is located at South Area of Shunde New town, Foshan and enjoys convenient access of Guangzhou-Zhuhai West Line, Ronggui Station of Guangzhou-Zhuhai train line, Dongxin Expressway and Shunde Port. The Nanshun Bridge (planning) is the bridgehead that can access to Nansha directly. The project enjoys the benefits from the planning of Metro Line no.9, no.11 and no.13. With the combination of Shenzhen-Zhongshan Channel and Zhongshan Jialiu Expressway, a rapid access to Shenzhen can be achieved.

FOSHAN KAISA BINGO (佛山佳兆業繽果)

Foshan Kaisa Bingo is located at No. 169, Guangfo Road One, Huangqi, Nanhai District, Foshan. The project occupies an aggregate site area of approximately 14,000 sq.m. with a total GFA of approximately 100,000 sq.m. The project can be used for office and commercial purposes. It will be developed into boutique-style apartments with comprehensive residential functions and investment characteristics. The project has commercial streets.

ZHONGSHAN

ZHONGSHAN KAISA METRO CITY (中山佳兆業大都匯)

Zhongshan Kaisa Metro City is located at the Xingbao Commercial Circle, Central District, Shaxi Town, Zhongshan. It enjoys a comprehensive range of commercial amenities, mature living environment and is a comfortable place to live. The project occupys an aggregate site area of approximately 62,000 sq.m. with a total GFA of approximately 250,000 sq.m. and will be developed into two phases, including loft apartments, flat floor apartments and themed commercial streets, with a design of modern architectural style.

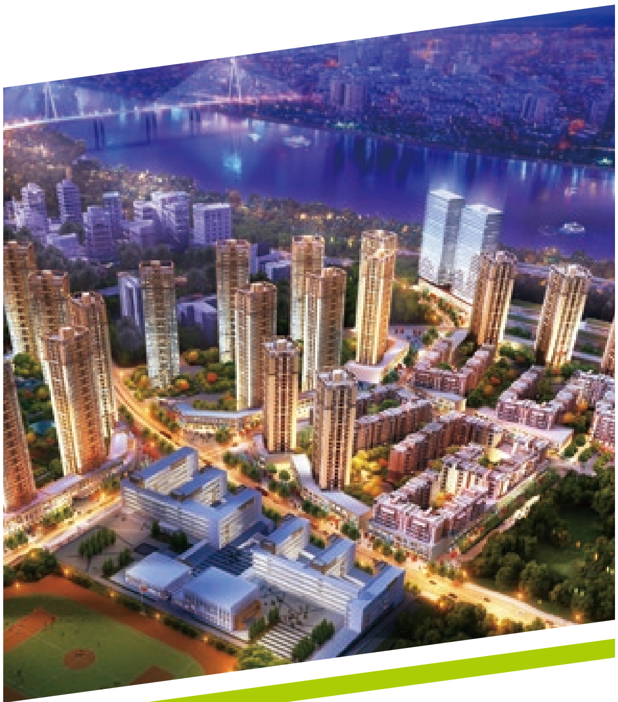
ZHONGSHAN KAISA XIANGSHAN ROYAL PALACE (中山佳兆業香山御府)

Zhongshan Kaisa Xiangshan Royal Palace is located at Central Area, Banfu Town, Zhongshan. It enjoys a comprehensive range of commercial amenities, mature living environment and is a comfortable place to live. The project occupies an aggregate site area of approximately 21,000 sq.m. with a total GFA of approximately 70,000 sq.m. It mainly consist of high-rise residential units with a design of modern architectural style.

CHONGQING

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 320,000 sq.m. with a total GFA of approximately 990,000 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.



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 120,000 sq.m. with a total GFA of approximately 630,000 sq.m.. This residential project is expected to be divided into five phases.

SHENYANG

SHENYANG KAISA YUEFENG (瀋陽佳兆業悅峰)

Shenyang Kaisa Yuefeng is located at the southeast end of Changbai Island, north of Xiandao Road South and main landscape of Inner River. The project has comprehensive and rare resources of city river view and wetland view. The project is located at an established and populous district with comprehensive amenities. The Metro Line No.9 nearby, which is under construction and around 1,000m to the project, will be opened in 2018, while the Metro Line No.4 is also under construction. The project has rich of educational resources nearby. For instance, Nanjing School No.1 Campus (primary), Heping School No.1 Campus (primary), Wanghu Road Primary School, 126 Secondary School (junior) are city level schools with high quality. The project is adjacent to large-scale shopping arcades such as RT-Mart, Metro, Macalline, Wanda Plaza and Xinglong Outlets, which are within the three kilometer commuting radius. The project consists of 3 super high-rise community and commercial buildings, and is planned to construct a ecological sky garden in Changbai Island, Shenyang.

QINGDAO

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

Qingdao Kaisa Lake View Place occupies an aggregate site area of 230,000 sq.m. with a total GFA of almost 400,000 sq.m. It consists of high-rise residential, luxury flats, villas, townhouses, commercial walk, premier clubhouse and a kindergarten. The project is one of the limited waterfront low density community in Qingdao. The project is developed into three phases and can be divided based on Road No.1. On the north is the Project Phase 1, while on the south is the Project Phase 2. The project is located at Xiazhuang Street, Chengyang District, north of Baisha River Leisure Sport Park, which is built by the government, west of Tianfeng Road South, south of Xiazhuang Commuting Radius, and east of Wangsha Road, the arterial road, and Laoshan Xiluan Scenery Belt. It is also located at the centre of Chengyang Xixia Ecological Area, with convenient transport.

The project has a commercial street of 20,000 sq.m with Spanish style, and three sports facilities, such as swimming pool, basketball court and tennis court, that can satisfy people's needs for daily shopping, leisure and entertainment. The project is the property with the first-class quality, and has 5 layers of security system. There is 24-hour security patrols to ensure safety for residence.

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 1,270,000 sq.m. with an expected total GFA of approximately 2,000,000 sq.m.. This project is expected to be a large scale residential-commercial complex and is divided into eight phases.

ANSHAN

ANSHAN KAISA MONARCH RESIDENCE (鞍山佳兆業君匯上品)

Anshan Kaisa Monarch Residence is located at No. 650, Anqian Road, Gaoxin District, and is the high-end luxury living area created by the Group. The project occupies an aggregate site area of approximately 130,000 sq.m. with a total GFA of approximately 390,000 sq.m., The project is a high quality low density area that mainly consists of luxury flats, with some minor high-rise and high-rise residential, surrounding with both bustling and natural atmosphere. The transport of the project is convenient, with comprehensive range of amenities and famous primary and secondary experimental schools adjacent to it. Within the 3km area, there are high quality commerce such as Xinglong Lifestyle Center, Demand and supply Circles, Commercial circles of University of Science and Technology Liaonin and Xinglong Happy Family (under construction), that you can enjoy various style of urban life. The project is located at the land parcel of Gaoxin District which is suitable for living. The Group determines to build up a garden under the theme of colleges and establish a natural and low-density living space with pleasure and an artistic atmosphere with various types of feeling. Various choices of the luxury flats (adjacent to schools, 115-135 sq.m. each) and minor high-rise residential with panorama views (105-115 sq.m. each) would satisfy different needs of families.

PROJECT PORTFOLIO — SUMMARY

ZHENGZHOU

ZHENGZHOU KAISA YUEFENG (鄭州佳兆業悅峰)

Located in the core area of Xincheng district, Xinzheng, Zhengzhou Kaisa Yuefeng is adjacent to the municipal administrative approval center and municipal office. It is only a street away for a one-stop leisure shopping center of 230,000 sq.m. under construction and adjacent to Xuanyuanhu Wetland Park of 810 acres, enjoying a supreme natural resources. Zhengxin Highway, Zhonghua Road, Beijing – Hong Kong – Macau Expressway, Lianyungang – Khorgas Expressway, as well as Metro line No.16 and Metro line No.18 which are both under planning are in the vicinity of this project.

With an overall planned GFA of approximately 200,000 sq.m., the project is comprises of 6 floors of garden bungalow with elevator and 17-20 floors of small high-rises. By adopting a non-commerce-subjacent design, it ensures the comfortability of the living environment in the largest extent. The outer surface of the building adopts a new Asian style, which complements with the rich Chinese culture, building a unique and new Chinese garden community with the design concept of "One circle, two axile, three courts and six yards. Combined with the elements of technology and intelligence, the projects cares about the customers' need of a comfortable living environment and health, building a quality mansion in Xuanyuanhu for high-end customers who pursue an exclusive lifestyle.

CHANGSHA

CHANGSHA MEIXI LAKE PROJECT (長沙雲頂梅溪湖)

Changsha Meixi Lake Project is located at Meixi Lake, Yuelu District, Changsha. This project occupies an aggregate site area of approximately 250,000 sq.m. with a total GFA of approximately 900,000 sq.m.. This project will be developed into residential products and will be developed in eight phases.

WUHAN

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

Changsha Kaisa Times Square is located in Yingpan Road, Furong District, Changsha. The project has a total floor area of approximately 21,770 sq.m. and a gross floor area of approximately 108,731 sq.m.. The project is expected to be a residential project comprising a commercial area.

WUHAN KAISA YUEFU (武漢佳兆業悅府)

Wuhan Kaisa Yuefu is the fourth quality project launched by the Group after Kaisa Golden World, Kaisa Mansion No.1 and Kaisa Plaza. Located in the north of Sandian Road, Dongxihu District, Wuhan and the east of Wuxin railway. The project has a planned aggregate site area of approximately 130,000 sq.m. with a planned GFA of 350,000 sq.m. The project comprises of 20 multi-level residential buildings, 11 high-rise buildings, 1 kindergarten, 3 independent basement floor and certain shops.

SHANGHAI

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 140,000 sq.m., with a total GFA of approximately 250,000 sq.m.. This project is expected to be a residence and is divided into two phases.

SHANGHAI KAISA MONARCH RESIDENCE (上海佳兆業君匯上品)

Being designed as a delicate product of rigid demand which satisfy the market's need, Shanghai Kaisa Monarch Residence is an ideal living environment of high quality where culture, production, life and ecological environment combine together. The project locates at Yunshang Town, the first national new urbanization PPP project in Shanghai, and is adjacent to Hongqiao Airport, Hongqiao Hub and the National Exhibition and Convention Center, enjoying international resouces. Adopting a new Asia architectural style, the project comprises of 22 buildings of 13 to 16 floors high, occupying a floor area of approximately 90,000 sq.m. and a total gross floor area of approximately 210,000 sq.m.. The planned units number is 1,565, adopting the mainstream layout of 79-119 sq.m. per unit in the market.

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 approximately 110,000 sq.m. with a total GFA of approximately 420,000 sq.m.. This project is expected to be a residential complex and is divided into three phases.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

The table below sets forth certain information regarding the Directors:

Name	Age	Position
KWOK Ying Shing	53	Chairman and Executive Director
SUN Yuenan	54	Vice Chairman and Executive Director
ZHANG Jianjun	60	Vice Chairman and Executive Director
ZHENG Yi	37	Executive Director
MAI Fan	39	Executive Director and Chief Executive Officer
CHEN Shaohuan	52	Non-Executive Director
ZHANG Yizhao	47	Independent Non-Executive Director
RAO Yong	58	Independent Non-Executive Director
LIU Xuesheng	54	Independent Non-Executive Director

Chairman and Executive Director

KWOK Ying Shing (郭英成), aged 53, is the Chairman of the Company, an executive Director, chairman of the Nomination Committee and a member of the Remuneration Committee. He is one of the founders of the Group and was the Chairman and a Director since its inception in 1999. He resigned as the Chairman and an executive Director in December 2014 and was re-appointed as the Chairman and an executive Director in April 2015. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of the Group. Mr. Kwok has extensive experience in real estate development, investment and financing management.

Executive Directors

SUN Yuenan (孫越南), aged 54, is an executive Director, a Vice Chairman and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Sun is primarily responsible for investment and management of the Group. Mr. Sun joined the Group in July 2001 as chief administrative director of Kaisa Group (Shenzhen) Co., Ltd. ("**Kaisa Group (Shenzhen)**") and has held various positions within the Group, including senior vice president of the Group, deputy general manager of Kasia Group (Shenzhen) and general manager of Guangzhou Jinmao Property Development Co., Ltd. Mr. Sun has extensive regulatory and business administration experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor's degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

ZHANG Jianjun (張建軍), aged 60, is an executive Director and the Vice Chairman of the Company. Mr. Zhang graduated with a bachelor's degree in economics from Central South University in 1982 and obtained a master's degree and a PhD degree in economics from Wuhan University in 1985 and 1993 respectively. Mr. Zhang was a professor at Central South University and Hunan University from 1985 to 1995. Mr. Zhang has extensive experience in financial management. Prior to joining the Group, Mr. Zhang worked at the People's Bank of China from June 1995 to December 2016 and the Chief Economist of Jiangsu Sanbao Group from January 2017 to February 2018. Since October 2017, he has been appointed as an independent non-executive director of Kasikornbank (China) Company Limited. Mr. Zhang possesses outstanding management skills in financial management and deep insights of the economic development. He is mainly responsible for the financial management of the Group.

ZHENG Yi (鄭毅), aged 37, is an executive Director of the Company. He is currently a President of the Group, who is in charge of general management of Kaisa Holding Group, Urban Development Group and Investment and Financing Group. Mr. Zheng joined the Group in July 2007 and has served as Investment Deputy Manager, President Secretary and President of the Real Estate Department among other positions. Prior to joining the Group, Mr. Zheng worked in Land and Real Estate Trading Center of Shenzhen. Mr. Zheng received the bachelor's degree in law from Zhongnan University of Economics and Law in the PRC in July 2003.

MAI Fan (麥帆), aged 39, is an executive Director, the Chief Executive Officer and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Mai is responsible for the overall management and daily operations of the Group. Prior to joining the Group in August 2015, Mr. Mai served at the Shenzhen Municipal Highway Bureau and Futian Government, Shenzhen from July 2001 to July 2015. Mr. Mai received his bachelor of laws from the Sun Yat-sen University in 2001 and received the qualification of legal profession in 2002.

Non-Executive Director

CHEN Shaohuan (陳少環), aged 52, has been a non-executive Director of the Company since 26 December 2013. She received a Diploma in Economics and Management from the Social Science Faculty of South China University of Technology in the People's Republic of China in July 1987. Ms. Chen has joined Sino Life Insurance Co., Ltd. (生命人壽保險股份有限公司) ("**Sino Life Insurance**") since December 2013 and is currently the deputy general manager of the asset management centre of Sino Life Insurance. Prior to joining Sino Life Insurance, Ms. Chen was the manager of the investment division of Shenzhen Fengsheng Investment Group Company Limited* (深圳市豐盛投資集團有限公司) from June 1995 to November 2013. Ms. Chen was also the deputy general manager of a subsidiary of Shenzhen Wuzhi Group Company* (深圳市物資總公司) engaging in construction material business from September 1983 to May 1995.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

ZHANG Yizhao (張儀昭), age 47, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Zhang is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He is also a director of China Carbon Graphite Group Inc. (OTC BB: CHGI) and HH Biotechnology Holdings Company (OTC BB: HHBT). Mr. Zhang has over 19 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang was the CFO or director at various public companies listed in the US, Hong Kong and Tokyo. Mr. Zhang also had experiences in portfolio management and asset trading at Guangdong South Financial Services Corporation from 1993 to 1999. He is a Certified Public Accountant of the State of Delaware, and a member of the American Institute of Certified Public Accountants (AICPA). He also has the Chartered Global Management Accountant (CGMA) designation. Mr. Zhang graduated with a bachelor's degree in economics from Fudan University, Shanghai in 1992 and received a Master of Business Administration with concentrations in financial analysis and accounting from the State University of New York at Buffalo in 2003.

RAO Yong (饒永), aged 58, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Rao is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a member of the Chinese Institute of Certified Public Accountants (CICPA) and a certified public valuer in China. Mr. Rao has over 28 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

LIU Xuesheng (劉雪生), aged 54, has been an independent non-executive Director of the Company since 28 February 2017. Mr. Liu joined Shenzhen Institute of Certified Public Accountants (深圳市註冊會計師協會) ("**SZICPA**") since February 1999 and is currently the deputy secretary general. Prior to joining the SZICPA, Mr. Liu was the accountant of OCT Group (深圳華僑城集團) from April 1992 to February 1999. Mr. Liu graduated from Jiangxi Institute of Finance and Economics (江西財經學院) (now known as the Jiangxi University of Finance and Economics (江西財經大學) with a bachelor degree in 1989 and graduated from Shanghai University of Finance and Economics (上海財經大學) majoring in accounting and obtained a master degree in economics in 1992. He was admitted as Certified Public Accountants in the People's Republic of China in 1995. Mr. Liu is currently an independent non-executive director of Telling Telecommunication Holdings Co., Ltd. (天音通信控股股份有限公司), Huafu Top Dyed Melange Yarn Co., Ltd. (華孚色紡股份有限公司) and EDAN Instruments, INC. (深圳市理邦精密儀器股份有限公司), which are companies listed on the Shenzhen Stock Exchange. From June 2008 to June 2011, Mr. Liu was the independent non-executive director of Dongjiang Environmental Company Limited (stock code: 895), a company listed in Hong Kong.

SENIOR MANAGEMENT

As at the date of this report, the senior management members are Habibullah ABDUL RAHMAN, XING Tao, WAN Bin, WANG Jiong, ZHANG Runshen, ZHAI Xiaoping, SONG Wei, LI Haiming, ZHAN Renchao, JIE Pingsheng, ZHAO Yi, WENG Hao, WANG Aihua, TANG Shichuan and LIU Tao. The table below sets forth certain information regarding the senior management members:

Name	Age	Position
Habibullah ABDUL RAHMAN	54	Chief Financial Officer and Company Secretary
XING Tao	53	Executive Vice President
WAN Bin	52	Executive Vice President
WANG Jiong	47	Senior Vice President
ZHANG Runshen	61	Senior Vice President
ZHAI Xiaoping	38	Senior Vice President
SONG Wei	33	Vice President
LI Haiming	43	Vice President
ZHAN Renchao	55	Vice President
JIE Pingsheng	55	Vice President
ZHAO Yi	41	Vice President
WENG Hao	36	Vice President
WANG Aihua	41	Vice President
TANG Shichuan	36	Assistant President
LIU Tao	35	Assistant President

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

Habibullah ABDUL RAHMAN (黃志强), aged 54, 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 53, 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, Mr. Xing had worked in Horoy Holdings Limited, Western Real Estate Company of Shenzhen Wabo Group and Shenzhen branch of Design & Research Institute of Wuhan Iron & Steel Group. In 1986, Mr. Xing received a higher diploma in architecture from Jianghan University.

WAN Bin (萬兵), aged 52, was appointed as Executive Vice President of the Group and the chairman of Beijing Kaisa Financial Group. Mr. Wan is mainly responsible for management. He joined the Group in April 2009 and sequentially served as chairman of the board in Liaonning branch, Group Vice President and Group Executive Vice President. Prior to joining the Group, Mr. Wan had worked in China Merchants Bank, the People's Bank of China and Ping An Bank and mainly responsible for management. He graduated from Shenzhen University in July 1987 and received a Bachelor degree in Economics.

WANG Jiong (王炯), aged 47, was appointed as Senior Vice President of Kaisa and president of Shenzhen Kaisa Financial Group in July 2017. Before he joined the Group, Mr. Wang worked in Bank of China Shenzhen Branch and was responsible for the general management. Mr. Wang had graduated from Southwestern University of Finance and Economics with a master degree in July 1996.

DIRECTORS AND SENIOR MANAGEMENT

ZHANG Runshen (張潤深), aged 61, was appointed as Senior Vice President of the Group in August 2017 and held the positions of the chairman of Shenzhen Kaisa Financial Group and general manager of the equity fund company. Mr. Zhang joined Kaisa in March 2017 and served as Vice Chairman and the Chairman of Shenzhen Kaisa Financial Group. Prior to joining the Group, Mr. Zhang had worked in the Shenzhen branch of the People's Bank of China, Shenzhen Development Bank and the Shenzhen branch of Huaxia Bank, mainly responsible for general management. Mr. Zhang graduated from Jinan University with a bachelor's degree in arts in 1982.

ZHAI Xiaoping (翟曉平), aged 38, was appointed as Senior Vice President of the Group in September 2017 and held the positions of the president of the investment department of the Group, mainly responsible for the investment of the Group. Ms. Zhai joined the Group in July 2007 and served as the president of the Group's investment and financing management department, Vice President of the investment and financing group and Vice President of Shenzhen Kaisa Financial Group. Ms. Zhai graduated from Peking University with a bachelor's degree in law in 2007.

SONG Wei (宋偉), aged 33, 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.

LI Haiming (李海鳴), aged 43, was appointed as Vice President of the Group and President of Kaisa Properties Shenzhen Department, he has successively held the post of chairman of the board of Kaisa Properties in Changsha, chairman of the board of Kaisa Properties in Shenzhen, general manager of Kaisa Golden Beach International Themed Entertainment Company and vice president of Kaisa Properties Shenzhen Department. Before he joined the Group, Mr. Li had majored in enterprise management and graduated from Party School of the Guangdong Provincial Committee of CPC in July 2000, and he had engaged in design work in Shenzhen General Institute of Architectural Design and Research Co., LTD, and Tsinghua Architectural Design Co., LTD.

ZHAN Renchao (詹仁超), aged 55, was appointed as Vice President of the Group and chairman and President of Kaisa Properties Beijing Department in July 2017. Mr. Zhan joined the Group in May 2005, he has successively held the post of general manager of Kaisa Properties in Zhuhai, general manager of Kaisa Properties in Jiangsu, chairman of the board of Kaisa Properties Liaoning Department, vice president of Kaisa Properties. Before he joined the Group, he had engaged in real estate development in Dongguan Huijing Real Estate Development Co., Ltd, Shenzhen Hongwei Real Estate Development Co., Ltd, Shenzhen Yifeng (Group) Stock Corporation.

JIE Pingsheng (揭平勝), aged 55, was appointed as Vice President of the Group in November 2016, as well as chairman and president of Guangzhou City Renewal Group, and is mainly in charge of management. He joined the Group in February 2008 and served sequentially as chairman of the board and general manager of Kaisa Real Estate Zhuhai branch, chairman of the board and president of Guangzhou Zhiye Group, chairman of the board of Zhiye Group and chairman of City Renewal Group. Before joining the Group, he sequentially worked for Shenzhen Mingju Real Estate Co., Ltd. as deputy general manager, Xinhe Group as vice president and Shenzhen Anneng Real Estate Company as deputy general manager. He graduated from Shenzhen University in 1987.

ZHAO Yi (趙毅), aged 41, has been a Vice President of the Group and the general manager of financial management department, and is mainly responsible for the management of the Group's finance, tax affairs, capital management activities. Mr. Zhao joined the Group in December 2010 and served as an assistant general manager of Dalian company, general manager of the Group's capital management department, director of the finance management department of the finance group and vice president of the finance group. Before joining the Group, Mr. Zhao worked in Dalian Zhongsheng Group Co., Ltd., Dalian Yida Group, Hong Kong Shui On Group, mainly responsible for the management of finance, capital and tax affairs. Mr. Zhao graduated with a Master of Business Administration from Dongbei University of Finance and Economics and is member of Chinese Institute of Certified Public Accountants.

WENG Hao (翁昊), aged 36, was appointed as a Vice President of the Group in May 2017, and served as the Chairman of Golden Bay International Park Company, President of Shenzhen Kaisa Real Estate Group. Mr. Weng is mainly in charge of operation of the park and management of real estate segment. Mr. Weng joined the Group in June 2003, and has served as the assistant manager of project management department of the Group, general manager of Nanjing branch of real estate group, executive vice president and president of real estate group etc. Mr. Weng graduated from Southeast China University in 2003 and obtained a bachelor degree in engineering.

WANG Aihua (王愛華), aged 41, was appointed as a Vice President of this Group in May 2017, and Chairman of the board in Innovation and Research Institute, and is mainly in charge of management. She joined the Group in March 2008 and served sequentially as deputy general manager of department of Design Management, director of Kaisa research institute of real estate group, vice president of Strategy and Research Institute. Before joining the Group, she had worked for Design Institute of Dalian Northeast College of Nationalities, Shenzhen Huaxin Architectural Design Co., Ltd. and Shenzhen Tongji Architectural Design Co., Ltd., mainly responsible for architecture design. Ms. Wang graduated from Heilongjiang University of Science and Technology in 2000 and obtained a Bachelor degree in Engineering.

TANG Shichuan (唐世川), aged 36, is an Assistant President of the Group and Vice President of Kaisa Financial Group. He is also the General Manager of the Administration & Human Resources Department of the Group, mainly responsible for administrative and human resources management. Since Mr. Tang joined the Group in April 2008, he has served as Deputy General Manager of Liaoning Branch, Vice President of Kaisa Property Group Shenzhen Branch and other positions. Before joining the Group, Mr. Tang had been engaged in human resources management in Shenzhen Vanke Property Management Company and Shenzhen Horoy Properties. He graduated from Xi'an Jiaotong University with a master degree in business administration in 2013.

LIU Tao (劉濤), aged 35, is an Assistant President of the Group, mainly responsible for informatization, media and investor relations management. He joined the Group in October 2009 and served sequentially as department manager of informatization management department, general manager assistant and deputy general manager. Before joining the Group, he sequentially worked for Shenzhen Gangzheng Digital and Shenzhen Mingyuan Software Co., Ltd., mainly responsible for IT projects management. He graduated from Shandong University of Science and Technology in 2005 and obtained a Bachelor degree in Engineering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PREPARATION GUIDELINES ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Objective and Standard of the Report

This Environmental, Social and Governance (the "ESG") Report provides the performance of Kaisa Group Holdings Ltd. ("Kaisa", the "Group", "We") in respect of environmental, social and governance for the year ended 31 December 2017.

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

Reporting Scope and Period

This report made disclosure of matters in relation to Kaisa's property development business located in the following selected areas: 1) Pearl River Delta; 2) Yangtze River Delta; 3) Central China; and 4) Pan-Bohai Bay Rim, under its core business for the period from 1 January 2017 to 31 December 2017 and provided by the head office in Shenzhen, including the core projects of the Group's operation and property development business covering material matters and key performance indicators in relation to environmental management, social responsibility and governance.

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

Data Collection Method

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

Participation of Stakeholders and Communication

Kaisa actively communicates with key stakeholders, including customers, employees, investors, the government, suppliers and the community, through various communication channels such as reports, event seminars, opinion surveys or other platforms to understand their concerns, in order to achieve common progress and development, meet the expectations and requirements of stakeholders, and contribute the highest value to the community.

The communication process with the stakeholders provided a basis for quantitative importance assessments, allowing the Group to identify, prioritise and identify important issues.

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

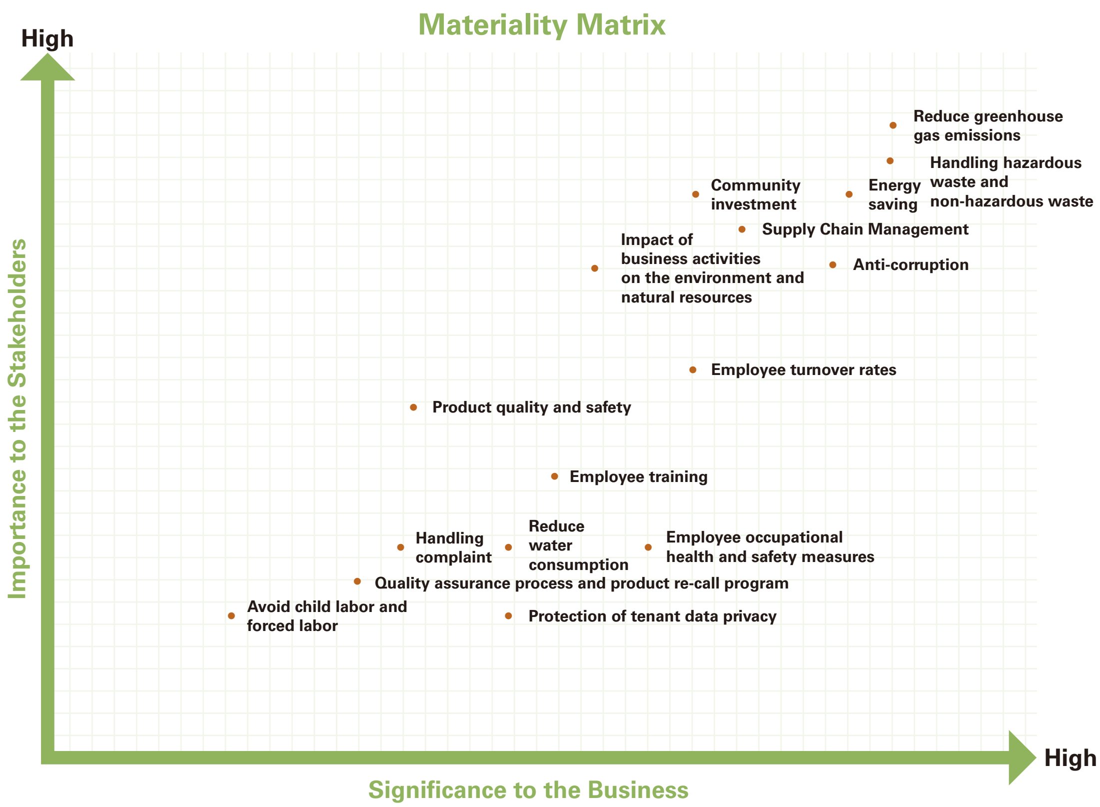
Stakeholders	Communication Goals	Communication Methods/Channels
Shareholders and investors	• Return on investment • Transparency of the Company's information • Protection of rights • Increase the Company's value • Realise information transparency and highly efficient communication	• General meetings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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Importance Assessment

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

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



The Group identified a total of 16 important issues, and the following section sets out how these important issues are addressed.

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

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

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

About the Environment

Kaisa fully recognises that development of every enterprise may cause impact to the ecological environment, and hence, it embraced the concept of energy conservation and emission reduction throughout its development and operation process. In the course from design, construction to practical operation, the Group is committed to implementing different environmental protection measures to reduce the impact on the environment in all aspects, including the use of energy-saving materials such as "autoclaved aerated concrete blocks" in its construction projects, green roofs and rainwater collection tanks on building roofs, as well as the reduction, reuse and recycling of construction wastes.

A1. Emissions

Greenhouse gases and other air pollutants

In order to reduce the impact of the operation on the environment, Kaisa is committed to the concept of green environmental protection and is committed to improving its operating methods. In order to reduce greenhouse gas emissions, the Group used reversible aluminum alloy templates and reduced the use of wood templates to avoid tree felling. By planting large numbers of arbor trees such as king coconut in project sites, carbon dioxide was reduced by 39 tons. As greenhouse gas will be emitted in the course of generating electricity, the Group switched off redundant lamps and used LED energy-saving voice-activated lights to meet the normal illumination conditions, which further saved energy and reduced lighting power consumption by 50%.

In addition, Kaisa conducted data collection by region and development projects and incorporated greenhouse gas and other air pollutants emitted from its core business during the year. The following information is the greenhouse gas and other air pollutants emitted during the year:

Greenhouse Gas	Unit	Emissions
Scope 1 – Direct Emissions (greenhouse gas emissions)		
Carbon dioxide emissions	Kilograms	6,397,196
Density	Kilograms/unit of output	15
Scope 2 – Indirect emissions (indirect greenhouse gas emissions from energy consumption)		
Carbon dioxide emissions	Kilograms	19,973,791
Density	Kilograms/unit of output	47
Scope 3 – Other indirect greenhouse gas emissions		
Carbon dioxide emissions	Kilograms	307,295
Density	Kilograms/unit of output	1

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

			Emissions (By regions)				
Other air pollutants	Source	Unit	Pearl River Delta	Yangtze River Delta	Central China	Pan-Bohai Bay Rim	Total (KG)
Sulfur dioxide	Gas fuel	Kilograms	111,559	2,867	920	15,618	130,964
	Diesel	Grams	3,671	1	24	514	4,210
	Gasoline	Grams	14,935	83	53	2,091	17,162
Nitrogen oxides	Gas fuel	Kilograms	22,423,399	585,875	184,920	3,139,276	26,333,470
	Vehicles	Grams	413,269	77,638	16,483	58,645	566,035
Particulates	Vehicles	Grams	28,946	7,353	1,344	5,619	43,262

Wastes

Despite the fact that wastes are unavoidably produced from business development, Kaisa actively worked closely with contractors and construction workers to carry out various measures to reduce waste disposal, including the separation and recycling of waste paper, steel, and glass waste from the site; recycle and reuse of construction wastes such as temporary railings and windows to achieve effective energy conservation; placement of sediment basin for sewage after the precipitation treatment, centralized discharge to the drainage pipes designated by municipal department; centralized processing of construction materials to improve utilization and reduce construction waste; and centralized stacking and regular clean-up of solid waste by the construction unit in accordance with the relevant regulations. Information of the Group's wastes generated during the year is as follows:

Type of Wastes	Total Volume (Tons)	Density
Hazardous waste	20	0
Non-hazardous waste	385,424	1

A2. Use of Resources

Energy consumption

In 2017, Kaisa Property Group continued to attach importance to energy conservation and consumption reduction. The Group also strictly implemented various measures to conserve resources, which enabled the Group to save more than 10 million KW/h of electricity during the year. Energy-saving measures include:

- Using autoclaved aerated concrete blocks, a kind of energy-saving material, for building masonry to reduce the use of burning clay bricks;

- Adopting energy conservation and environmental protection design by using natural ventilation, natural lighting, and energy-saving and heat-insulating materials to reduce energy use;

- Using voice-activated LED lights in basements and stairs and replacing LED lamps, for examples, replacing 7,817 LED5W energy-saving light bulbs in Wuhan Golden World, saving 130,000 KW/h in one year; replacing 900 LED8W energy-saving lamps in the car park of Shenzhen Shanhai Meiyu Garden, saving 77,000 KW/h annually; and

- In the national residential project, saving energy through technological measures such as installing frequency converters on water pumps improving energy efficiency of air-conditioners, and upgrading air-conditioning terminals and escalators with frequency converters, saving RMB2.5 million as compared to the same period in 2016.

During the year, the total volume of diesel and gasoline directly consumed by the Group were approximately 229,550 litres and 1,025,261 litres, respectively. The total electricity indirectly consumed was approximately 14,465,015 kWh.

Energy	Consumption	Density
Direct Energy Consumption		
Fuel Consumption – Diesel (Litre)	229,550	1
Fuel Consumption – Gasoline (Litre)	1,025,261	2
Indirect Energy Consumption		
Total Electricity Consumption – (kWh)	14,465,015	34

Water Resources Processing

Although the Group does not have full control over water supply, it understands that resources are scarce. Therefore, the Group encourages its employees to reduce water consumption, such as reducing unnecessary water consumption in toilets. The Group also established a system for the collection and reuse of roof rainwater in buildings to reduce the use of tap water. During the year, the Group's total water consumption was approximately 5,390,589 tons.

Water Resources	Consumption	Density
Total water consumption	5,390,589	13

A3. Environment and Natural Resources

As construction works may have an impact on cement, steel, ceramic tile, glass, paint, wood veneer, and cables, the Group continuously enhanced technological innovation to promote the sustainable development of the construction industry, and reduce of impact brought by the Company's business operations on the environment by increasing production efficiency and implementing different measures, including:

- Vigorously promoting the delivery mode of fine decoration and reducing the environmental pollution caused by secondary decoration;
- Entrusting professional firms to formulate soil and water conservation plans and monitoring procedures, and to conduct project inspection and acceptance prior to the completion of the project;
- Promoting green construction and reducing the use of resources and the impact of construction activities on the environment through scientific management and technological advancement;
- In the course of construction process, transporting materials during non-peak traffic hours to reduce the impact of large vehicles on urban traffic;
- Effectively reducing energy consumption through the regional sunshine planning, district-wide ventilation planning, noise reduction and noise reduction design;
- Building noise reduction booths to reduce the impact of construction noise on surrounding communities; and
- Taking measures such as soil cover and sprinkle dust to reduce dust pollution at the project construction site.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1. Talent Management

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

Staff Overview

As of 31 December 2017, the Group hired 12,810 staff members in the PRC and Hong Kong. In 2016 and 2017, the Group was awarded as "China's Best Employer" jointly assessed by the Centre of Social Research of Peking University (北京大學社會調查研究中心) and Zhaopin.com for two consecutive years.

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

	Gender		Age				Type of engagement	
By region/group	Male	Female	30 or below	31-40	41-50	51 or above	Full-time	Contract
Hong Kong	17	13	18	10	2	0	30	–
Mainland China	8,707	4,073	6,975	4,345	1,154	306	12,780	–
Headquarters	113	41	65	62	13	14	154	–
Real estate group	1,595	749	1,109	1,120	102	13	2,344	–
Property Management group	4,925	2,092	3,843	2,086	857	231	6,930	87
Other subsidiaries	2,074	1,191	1,958	1,077	182	48	3,265	–
Total	8,724	4,086	6,993	4,355	1,156	306	12,723	87
Percentage	68%	32%	55%	34%	9%	2%	99%	1%

As of 31 December 2017, in terms of gender, the Group had 8,724 male employees and 4,086 female employees; in terms of region, the Group had 12,780 employees from Mainland China and 30 employees from Hong Kong; in terms of type of engagement, the Group had 12,723 full-time employees and 87 contract staff; in terms of age, the Group had 6,993 employees aged 30 or below, 4,355 employees aged 31-40, 1,156 employees aged 41-50 and 306 employees aged 51 or above.

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

By region/group	Gender: Male	Gender: Female	Age: 30 or below	Age: 31-40	Age: 41-50	Age: 51 or above	Type of engagement: Full-time
Hong Kong	2	0	0	2	0	0	2
Mainland China	1,699	999	1,414	1,124	135	25	2,698
Total	1,701	999	1,414	1,126	135	25	2,700

In 2017, 2,700 employees departed the Group and the staff turnover rate[1] was 21% for the year.

Staff Communication

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

- Providing, among others, an anonymous mailbox, phone number and instant messaging on the homepage of the Company;
- "Face-to-face with the senior management" meetings organised on a regular basis;
- Conducting quarterly appraisals of staff members and holding the corresponding performance interviews to provide a communication channel; and
- Unofficial channels of communication, such as gatherings among departments, and cultural, sports and social activities.

Staff Recruitment, Remuneration and Benefits

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

B2. Health and Safety

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Preparing specific project work plans and arranging project inspection, rectification and improvement measures in the event of major festivals and holidays, severe weather conditions or emergency;
- Stepping up the safety education for the frontline project personnel and raising their awareness of safety issues through training;
- Organizing cross learning sessions for staff members to go through case studies on sound safety management for self-examination and improvement;
- Identifying potential hazards in construction projects in progress through monthly inspections, and supervising the implementation of rectification and improvement measures;
- Instantly following up on the status of project safety management through reporting mechanisms such as filing monthly safety reports;
- Tracking the status of how project safety incidents are addressed, and reporting any update in a timely manner;

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

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

B3. Development and Training

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

Staff Diversity

Training

For employee training, the Group formulated a wide variety of training contents based on employees' needs in different stages of career development. Employees may solidify their professional skills through online learning, experiential learning and job rotation training. During the year, the Group provided 2,570 hours of training in aggregate with 19,938 participants.

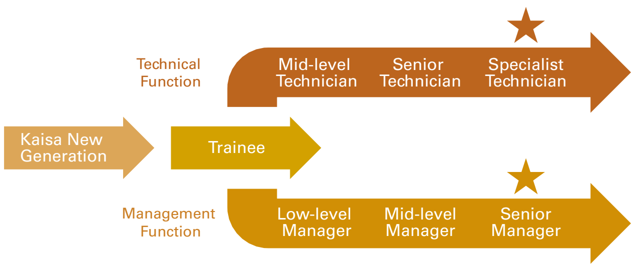
Kaisa considers talents as the cornerstone for the Group's development. While recruiting from society, the Group also develops and expands its own operational team by actively nurturing fresh graduates. Since the establishment of Kaisa New Generation as a campus recruitment brand in 2003, the project has been running for 15 years and has formed a sophisticated nurturing and promotion system for Kaisa New Generation. During the year, the Group recruited at top-notch domestic and overseas universities, including Tsinghua University, Peking University, Fudan University, Tongji University, Nanjing University, University of Hong Kong, Hong Kong University of Science and Technology, Columbia University, University of Pennsylvania, Boston University and New York University, bringing in 142 members of Kaisa New Generation in disciplines including finance, accounting, law, human resources, marketing and civil engineering for the Group's development. Graduate recruitment represented 7% of the overall recruitment during the year. Having gone through a series of on-job training and gained hands-on experience, the members of Kaisa New Generation turned into the main force driving the operation and development of the Group.

Talent management of Kaisa

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

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

Parallel channels for Career Advancement for Kaisa New Generation



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

Four-Level Talent Training System

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

B4. Labour Standards

Prevention of Child Labour or Forced Labour

As for prevention of child labour or forced labour, the Group ensure that applicants have the right to interview and apply for a job voluntarily. Meanwhile, it sets up a strict approval procedure for labour employment. Before employment, all sorts of credentials, files and information should be comprehensive and undergo strict inspection. Employment should also get approval from all levels of management so as to effectively avoid child labour or other non-standard labour employment. The Group also complies with equal and voluntary labour employment. When signing contracts or agreements with employees, the Group will completely and accurately convey necessary statutory information such as labour working location, time, working salary and so on. Both sides sign labour contract or agreement under the voluntary principle in order to avoid forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5. Supply Chain Management

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

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

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

CORPORATE SOCIAL RESPONSIBILITIES

B6. Products Responsibility

Quality Management

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

Information construction: Through technological management, management capacity of the headquarters of the Group was enhanced in an objective and scientific manner to improve site service quality. Development and promotion of Phase I quality inspection system, "K Services", were completed. It is currently under normal operation in major subsidiaries and normal projects and will be fully launched subsequently.

Implementation of three-level management: Quality inspections are conducted at the group, branch and project levels. In addition, seven quality inspections were jointly conducted by the quality, commercial and safety departments, covering all the projects held-for-management throughout nation during the year. In addition, the Group commenced a number of project inspections on swimming pools, fields and contractors and joint inspections with cooperative manufacturers, realising bi-monthly nationwide inspections.

On-site surveillance system: "Eagle eye systems" were set up to monitor staff at key positions. These systems covered all key positions nationwide and monitored site activities at all times to improve service quality. Special operations such as "Spring Thunder", "Hundred Days' Renovation" and "Three Windows" have been commenced to cover the hidden area of back staircase, main flow lines of property owners and the three major external windows.

Differentiated management: On top of the implementation of the national four-star, five-star and super five-star differentiated project management, a "three-window" management standard, which covers the three major external windows including reception, front gate and toll gate, was formulated in 2017 to standardise post management, post duties and service quality.

Advanced level of regulation: The Group consolidated the standardised system by making amendment, revision and addition to the original standardised system and organising group training and five project training camps such as "quality navigator" and "red eagle firefighters". It also amended the guidelines for handling customer complaints and formulated certain regulatory documentations including the instruction on K Services and employee safety handbook.

Customer Complaint Handling Procedure: Furthermore, Kaisa property group compiled the Customer Complaint Handling Procedure to regulate the handling procedure of customer complaint. In 2017, Kaisa property group achieved a compliant clearance rate of 100%.

CUSTOMER PRIVACY PROTECTION

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

B7. Anti-Corruption

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

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

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

During the year ended 31 December 2017, the Group is not aware of any breach of laws and regulations that have a significant impact on the Group relating to anti-corruption.

B8. Community Engagement

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

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

As of 31 December 2017, the Group has sponsored more than 60 charitable projects. Kaisa's efforts in charity have gained wide recognition from the community. During the period, the Group was granted "Shenzhen Benchmark Real Estate Development Enterprise in Social Responsibility", "TOP10 China's Real Estate Enterprises in Social Responsibility" and "2017 Best Social Responsibility".

On 25 August 2017, in response to the Guangdong Provincial Party Committee and provincial government's call for "caring for the poor and assisting them to get rid of poverty", Kaisa Group donated RMB100 million to Guangdong Charity Federation (廣東省慈善總會) at the "2017 Guangdong Charity Day" event for helping the poor villages, constructing new model village and supporting the poor to get rid of poverty in the province. This has been the seventh consecutive year for Kaisa to participate in the Guangdong Charity Day since 2010.

Kaisa was granted "TOP10 China's Real Estate Enterprises in Social Responsibility" award

Kaisa donated RMB100 million to Guangdong Charity Federation

Kaisa duly established a poverty alleviation company, implying that it is accelerating its targeted measures on poverty alleviation in full gear.

Left: Mobilization rally set up by Kaisa poverty alleviation company

Right: Kaisa Group kicked off the poverty alleviation in Huizhou

In November 2017, Kaisa poverty alleviation company was duly established. The Group deployed strong and competent staff to form a "dream team" of Kaisa to carry out targeted poverty alleviation, immediately following which, it brought together all staff from the poverty alleviation company to set up the mobilization rally and encourage them to muster up their energy and fortify their beliefs to contribute to the rural poverty alleviation goal to be completed by 2020.

The structure of the poverty alleviation company embodies Kaisa's unique model of industry-supported poverty alleviation, which is characterised by setting up an industry-supported poverty alleviation department, planning and design department and project development department for coordinating the Group's resources and facilitating the acceleration and full implementation of poverty alleviation work. This is the latest initiative of Kaisa Group to materialise the suggestions of the 19th National Congress in promoting poverty alleviation through targeted measures and implies that Kaisa is accelerating its poverty alleviation work in full gear.

From September to October 2017, Kaisa despatched a study and research team to conduct inspections in Longmen County, Huizhou, to explain to the villagers the construction of infrastructure facilities, greening and cleaning, public services, medical and education and sports and culture pursuant to the "3+3+X" model of Huizhou City. It is expected that nearly 20,000 villagers would be benefited. In alleviating poverty, Kaisa not only contributed funds, but also exported talents, techniques, management and idea. In particular, regarding industry-supported poverty alleviation as its focus, it helped poor villagers to increase income and get rid of poverty steadily. By way of "Internet + poverty alleviation" and leveraging on its existing internet platforms, Kaisa will widely promote the high-quality agricultural products from Longmen County to its huge customer base.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Educational Investment

As an enterprise which always sees fulfilling social responsibility as its own duty and continuously performs concrete action to contribute to social welfare, Kaisa has never stopped its devotion to education charity. Set out below are the contributions to education charity made by Kaisa:

Elementary Education

The Group invested in the construction of Shenzhen Keyuan School, Chongqing Kaisa Secondary and Primary School, Shenzhen Xinzi School and Bantian School of Shenzhen University, and donated funds to Puning Overseas Chinese Middle School, Puning Second Middle School, Huizhou Luoyang Yihe Middle School and Shenzhen Keyuan School to upgrade educational hardware.

Occupational Education

Kaisa has been supporting the development of education business of BN Vocational School. In 2015 and 2016, the Group supported BN Vocational School in the "Vocational Education Program under the Hope Project" by donating RMB500,000 and RMB1 million, respectively, providing Chinese poor youths with free occupational education.

Furthermore, on the Teachers' Day on 10 September 2017, Kaisa donated RMB20 million to Southern University of Science and Technology for assisting it to become a world-class university. In particular, the "Kaisa Talent Scheme of Southern University of Science and Technology" will provide the outstanding students of this university with overseas learning opportunities and financial support. The "Kaisa Academician's Seminar of Southern University of Science and Technology" will regularly invite overseas and domestic famous academicians and scientists as well as outstanding entrepreneurs to make a speech at Southern University of Science and Technology. In addition, Kaisa technology group will set up a "Kaisa Innovation Investment Fund for Southern University of Science and Technology" to mainly invest in scientific research of Southern University of Science and Technology and facilitate the establishment and development of technology enterprises to accelerate the transformation of scientific and technological achievements made by Southern University of Science and Technology.

In 2017, Kaisa technology group set up an education development department to promote the development of education business in China through concrete actions. Kaisa technology group cooperated with domestic and international well-known educational institutions to jointly set up top-class international schools and community schools with the support of Kaisa's self-owned properties across the nation to establish a quality community, thereby offering the society with high-quality educational resources and services.

Tertiary Education

Kaisa signed strategic cooperation agreements with Tongji University, Shenzhen University and Southern University of Science and Technology and donated nearly RMB100 million in aggregate for supporting discipline building and scientific research in the universities and setting up scholarship for supporting students in need.

Financial Support

Kaisa made a number of donations to Puning, Shenzhen and Changsha cities to support education and set up a project fund to support poor students in Yushu, Qinghai in the long-term.

Between April and June 2017, Shenzhen Kaisa Urban Renewal group commenced a series of iron army themed charity run, namely "Run with Kaisa, light up education" (佳你我步伐，燃閱讀之光)", in Shenzhen, Zhuhai and Shanghai. The miles run by all staff during the two-month period activity can be accumulated and exchanged for the equivalent value of books for children. During the activity period, a total of 80 runners from urban renewal group submitted their running data and the average miles completed by each runner was 16.75km, raising a total of 500 books for children in Bijie remote area in Guizhou. All runners were rewarded a "Tender Ironman Medal".

Sports and Culture

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

In July 2017, the "2017 Shenzhen Dapeng International Outdoor Carnival – Outdoor Paradise, Shared by All" was opened at Shenzhen Marriott Hotel Golden Bay. This year's carnival was jointly held by Kaisa Group Holdings Ltd, Kaisa Golden Bay International Park Company and Kaisa Culture, Sports and Tourism Group. Between July and December 2017, 15 events with different themes were organised to bring the public exciting sports, culture, music and innovative charity events in eastern Shenzhen.

Golden Bay Beach Music Festival

2017 Shenzhen International Young Women's Beach Volleyball Elite Final

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

To actively assume social responsibilities, sport stadiums operated by Kaisa are open all year round to provide the general public with fitness services including soccer, badminton, table tennis, basketball, swimming, volley ball and tennis. As of now, these stadiums offered free access to facilities to more than 500,000 people and organised nearly 100 large-scale charity activities at free charge which attracted 300,000 participants. Kaisa Culture, Sports and Tourism Group incorporated the spiritual pursuits of the enterprise into the value chain of charitable events to realise a healthy and sustainable development.

In September 2017, Kaisa was awarded "Top 10 High-end Sports Event in Shenzhen" granted by Shenzhen Sports and Tourism Bureau and Shenzhen Sports Industrial Association.

Health Promotion

In June 2017, Shenzhen Kaisa City Plaza redevelopment group together with Shenzhen Blood Centre held a "Present for Life" blood donation event at Buji Kaisa Plaza, with a view to fulfilling corporate social responsibility and spreading the concept of public welfare. This event received overwhelming response from the Company's staff, involving not only first-time blood donors but also repeated platelet donors. According to the statistics, more than 30 donors successfully donated 9,250mL of blood in aggregate.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2017.

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 2017, the Company complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Due to their other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, and the independent non-executive Directors of the Company, Mr. ZHANG Yizhao and Mr. LIU Xuesheng, were unable to attend the extraordinary general meeting of the Company held on 12 June 2017. Due to her other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan was unable to attend the annual general meeting of the Company held on 28 June 2017.

(A) THE BOARD OF DIRECTORS

Board Composition

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

Members of the Board

Executive Directors:
Mr. KWOK Ying Shing
Mr. SUN Yuenan
Mr. YU Jianqing (resigned on 16 January 2018)
Mr. ZHENG Yi
Mr. MAI Fan (appointed on 4 July 2017)

Non-executive Director:
Ms. CHEN Shaohuan

Independent non-executive Directors:
Mr. ZHANG Yizhao
Mr. RAO Yong
Mr. LIU Xuesheng (appointed on 28 February 2017)

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

Dates	Particulars
16 January 2018	Mr. YU Jianqing has resigned as an executive Director
20 March 2018	Mr. ZHANG Jianjun has been appointed as an executive Director

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

For the year ended 31 December 2017, Mr. Habibulah ABDUL RAHMAN received not less than 15 hours of relevant professional training to update his knowledge and skills.

As at 31 December 2017, the Board consisted of nine Directors including Mr. KWOK Ying Shing (chairman), Mr. SUN Yuenan, Mr. YU Jianqing, Mr. ZHENG Yi and Mr. MAI Fan (chief executive officer) as the executive Directors, Ms. CHEN Shaohuan as a non-executive Director and Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. LIU Xuesheng as the independent non-executive Directors. The overall management of the Company's operation is vested in the Board.

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 2017, the Board comprised nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. Their names and biographical details are set in the section entitled "Directors and Senior Management" in this annual report.

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

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

Delegation by the Board

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

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2017.

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

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2017, in order to reinforce their respective independence, accountability and responsibility, Mr. KWOK Ying Shing acted as Chairman and Mr. ZHENG Yi acted as Chief Executive Officer during the period 1 January 2017 to 19 September 2017, and Mr. MAI Fan acted as Chief Executive Officer from 19 September 2017.

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

Independent Non-Executive Directors

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

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

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

For the year ended 31 December 2017, the Company has received an annual confirmation of independence from each independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Directors. Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive Directors of a listed issuer must represent at least one-third of the Board of such listed issuer. The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules since the appointment of Mr. LIU Xuesheng 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. Meeting agenda for regular meetings are set after consultation with the Chairman. All Directors are given an opportunity to include matters in the agenda.

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

For the year ended 31 December 2017, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

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

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

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

The Board procedures are in compliance with the Articles, as well as relevant rules and regulations. For the year ended 31 December 2017, there were no significant changes to the Articles.

CORPORATE GOVERNANCE REPORT

Appointment, Re-election and Removal of Directors

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

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

In accordance with Article 83(3) of the Articles, Mr. ZHANG Jianjun and Mr. MAI Fan shall hold office until the forthcoming AGM, and 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, remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles or in any agreement between the Company and such Director.

Training and Support for Directors

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

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

During the year ended 31 December 2017, the Directors also participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. KWOK Ying Shing	B
Mr. SUN Yuenan	B
Mr. YU Jianqing	B
Mr. ZHENG Yi	B
Mr. MAI Fan	B
Non-Executive Director	
Ms. CHEN Shaohuan	B
Independent Non-Executive Directors	
Mr. ZHANG Yizhao	A,B
Mr. RAO Yong	B
Mr. LIU Xuesheng	B

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

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

Board Diversity Policy

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

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

Board Committees

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

Nomination Committee

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. KWOK Ying Shing, executive Director

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

The Nomination Committee was primarily responsible for the following duties during the year ended 31 December 2017:

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

- to identify individuals suitably qualified to become Board members;

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

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

Audit Committee

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

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

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

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

The Audit Committee was primarily responsible for the following duties during the year ended 31 December 2017:

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

Remuneration Committee

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

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

CORPORATE GOVERNANCE REPORT

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

The Remuneration Committee was primarily responsible for the following duties during the year ended 31 December 2017:

- 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 13 to the consolidated financial statements. During the year ended 31 December 2017, 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 2017 is set out below:

Remuneration bands (RMB)	Number of persons
2,000,001 to 3,000,000	2
3,000,001 to 4,000,000	3
4,000,001 to 5,000,000	2
5,000,001 to 6,000,000	5
6,000,001 to 7,000,000	1
	13

Meeting Attendance

The attendance of Directors at Board meetings and meetings of the Board committees and general meetings during the year ended 31 December 2017, as well as the number of such meetings held, is set out as follows:

Meetings attended/held

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

Note:

1. Mr. MAI Fan was appointed as executive Director on 4 July 2017.

(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 97 to 102 of the "Independent Auditor's Report" in this annual report.

External Auditor's Remuneration

During the year under review, the fee payable to Grant Thornton Hong Kong Limited in respect of its audit services and non-audit services provided to the Company were RMB5.5 million and RMB1.9 million, respectively.

Risk Management and Internal Control

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

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

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

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

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

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

The Directors, through the audit committee of the Company, reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, at least annually, for the year ended 31 December 2017. After such review, the Board considered that the Company's enhanced internal control system was adequate and effective.

Handling of Inside Information

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

(C) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

The constitutional documents of the Company are available on the websites of the Company and the Stock Exchange. There were no changes in the constitutional documents of the Company for the year ended 31 December 2017.

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 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department stores and cultural centre operations, water-way passenger and cargo transportation and healthcare business. The activities and particulars of the Company's subsidiaries are set out in note 43 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".

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 103 to 104 in this annual report.

DIVIDENDS

The Board recommended payment of a final dividend of HK11.8 cents per share (2016: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 33 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 2017 are set out in note 34 to the consolidated financial statements.

BORROWINGS

Details of the borrowings are set out in note 29 to the consolidated financial statements.

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to RMB136.6 million (2016: RMB26.0 million).

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

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

DIRECTORS

During the year ended 31 December 2017 and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. KWOK Ying Shing
Mr. SUN Yuenan
Mr. ZHANG Jianjun (appointed on 20 March 2018)
Mr. YU Jianqing (resigned on 13 January 2018)
Mr. ZHENG Yi
Mr. MAI Fan

Non-Executive Director

Ms. CHEN Shaohuan

Independent Non-Executive Directors

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

In accordance with Article 84(1) of the Articles, Mr. ZHENG Yi, Mr. ZHANG Yizhao and Mr. LIU Xuesheng shall retire by rotation at the forthcoming AGM and each of them, being eligible, would offer themselves for reelection at the forthcoming AGM.

In accordance with Article 83(3) of the Articles, Mr. ZHANG Jianjun and Mr. MAI Fan 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 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Director Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive directors of a listed issuer must represent at least one-third of the board. The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules since the appointment of Mr. LIU Xuesheng as an independent non-executive Director on 28 February 2017.

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 54 to 59.

DIRECTOR'S SERVICE CONTRACTS

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

REDESIGNATION OF CHIEF EXECUTIVE OFFICER

Mr. MAI Fan has been appointed as the chief executive officer of the Company in place of Mr. ZHENG Yi with effect from 19 September 2017.

SHARE OPTION SCHEME

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

(1) Purpose of the Share Option Scheme

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

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

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

(2) Participants of the Share Option Scheme

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

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

The total number of Shares which may be issued upon exercise of all Share options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the Shares in issue from time to time. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and options under the other schemes of the Company is not permitted to exceed 10% limit, unless with the prior approval from the shareholders of the Company. The Share Option Scheme limit was refreshed at the extraordinary general meeting held on 31 March 2014. As at 31 December 2017, 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 8.19% of the issued share capital of the Company as at the date of the report.

During the year ended 31 December 2017, a total of 362,300,000 options were granted under the Share Option Scheme. For the year ended 31 December 2017, a total of 44,176,000 options were exercised, no options were cancelled, and a total of 10,108,000 were forfeited/lapsed.

(4) Maximum entitlement of each Participant

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

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

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

(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 2017 pursuant to the Share Option Scheme:

Grantee	Balance as of 1 January 2017 (Note 1)	Grant during the year ended 31 December 2017	Exercised during the year ended 31 December 2017	Cancelled/ Forfeited/ Lapsed during the year ended 31 December 2017	Balance as of 31 December 2017
Directors					
SUN Yuenan	20,020,000	30,000,000	–	–	50,020,000
ZHENG Yi	588,000	48,000,000	–	–	48,588,000
YU Jianqing	6,000,000	20,000,000	–	–	26,000,000
MAI Fan	–	10,000,000	–	–	10,000,000
RAO Yong	1,000,000	1,400,000	–	–	2,400,000
ZHANG Yizhao	1,000,000	1,400,000	(1,000,000)	–	1,400,000
LIU Xuesheng	–	1,200,000	–	–	1,200,000
Other employees					
In aggregate	133,890,000	250,300,000	(44,076,000)	(10,108,000)	330,906,000
Total	162,498,000	362,300,000	(44,176,000)	(10,108,000)	470,514,000

Note:

(1) For the information on the date of grant, exercise period and exercise price in relation to the outstanding Share options as at 1 January 2016, please refer to Note 39 to the Consolidated Financial Statements. 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.

As at 31 December 2017, a total of 114,114,000 options were exercisable.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests in Securities

As at 31 December 2017, 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) %
KWOK Ying Shing	Interest in a controlled corporation	1,517,180,756	25.02%

Note:

The percentages were calculated based on 6,063,730,329 Shares in issue as at 31 December 2017.

(ii) Long positions in the underlying Shares:

Name of Director	Capacity	Number of the underlying Shares	Approximate percentage of shareholding of the issued share capital of the Company (Note) %
SUN Yuenan	Beneficial owner	50,020,000	0.82%
ZHENG Yi	Beneficial owner	48,588,000	0.80%
YU Jianqing	Beneficial owner	26,000,000	0.43%
MAI Fan	Beneficial owner/Interest of spouse	10,905,000	0.18%
RAO Yong	Beneficial owner	2,400,000	0.04%
ZHANG Yizhao	Beneficial owner	1,400,000	0.02%
LIU Xuesheng	Beneficial owner	1,200,000	0.02%

Note:

The percentages were calculated based on 6,063,730,329 Shares in issue as at 31 December 2017, assuming all the options granted under the Share Option Scheme have been exercised.

Save for those disclosed above, as at 31 December 2017, none of the Directors or chief executive had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Schemes as set out in note 39 to the consolidated financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 41 to the consolidated financial statements, no transaction, arrangements or contract of significance to which the Company, its holding company or their subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year ended 31 December 2017.

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 2017.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2017 are set out in note 41 to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules.

REMUNERATION POLICY

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' performance, qualifications and experiences. Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements, having regard to the Company's operating results, individual performance of the Directors and senior management are comparable market statistics. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Scheme are set out in the report of Directors and note 39 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

At no time during the year ended 31 December 2017, none of the Director, their close associate or a shareholder of the Company (who to the knowledge of the Directors own more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest suppliers or customers.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had interests or a short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are set out as follows:

Name of substantial shareholder	Capacity	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Da Chang Investment Company Limited ("Da Chang")	Beneficial owner	674,115,378 (L) (Note 2)	11.12%
Da Feng Investment Company Limited ("Da Feng")	Beneficial owner	843,065,378 (L) (Note 2)	13.90%
Da Zheng Investment Company Limited ("Da Zheng")	Beneficial owner	843,065,377 (L) (Note 2)	13.90%
Funde Sino Life Insurance Co., Ltd.	Beneficial owner	649,700,957 (L)	25.36%
	Interest in a controlled corporation	887,995,149 (L) (Note 3)	
Fund Resources Investment Holding Group Company Limited	Beneficial owner	887,995,149 (L)	14.64%

Notes:

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

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

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 2017. 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 Funde Sino Life Insurance Co., Ltd on 22 September 2017.

4. The percentages were calculated based on 6,063,730,329 Shares in issue as at 31 December 2017.

Save for those disclosed above, as at 31 December 2017, 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 2017.

PRE-EMPTIVE RIGHTS

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

ENVIRONMENTAL PROTECTION

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

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures have been enhanced to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2017.

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

Workplace Quality

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

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

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

REPORT OF THE DIRECTORS

Relationships with the Group's other stakeholders

The Group placed efforts in maintaining good relationships various financial institutions and banks given that the Group's business is capital intensive and require on-going funding for the development and growth of the Group's business. Further, the Group aims at delivering constantly high standards of quality in the products to its customers in order to stay competitive. Save as disclosed in this report, the Directors are not aware of any material and significant dispute between the Group and its financial institutions and/or customers during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 were audited by Grant Thornton Hong Kong Limited. A resolution to re-appoint Grant Thornton Hong Kong Limited as auditor of the Company will be proposed at the forthcoming AGM.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

On behalf of the Board

KWOK Ying Shing
Chairman

Hong Kong, 27 March 2018

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

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

OPINION

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 225, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of properties under development and completed properties held for sale	
Refer to note 4 of critical accounting estimates and judgements, note 21 of properties under development and note 22 of completed properties held for sale to the consolidated financial statements. As at 31 December 2017, the Group had properties under development and completed properties held for sale ("properties") amounting to RMB68,066,413,000 and RMB18,170,966,000, respectively, which in total represented approximately 40.41% of the total assets of the Group. Given the significant balance of properties under development and completed properties held for sale and the involvement of critical accounting estimates, the impairment assessment of these properties is considered a key audit matter. These properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. Based on management's analysis of the net realisable value of the properties, write-down of approximately RMB262,332,000 were charged to profit or loss for the year ended 31 December 2017.	We have understood and evaluated the management's procedures on identifying properties for which the net realisable values may be lower than their carrying amounts, including the methodologies and inputs used in the estimation of the net realisable values. Our procedures in relation to assessing the appropriateness of the valuation of these properties included: (i) testing the calculation for the impairment assessment performed by management; (ii) assessing future costs to be incurred to completion on a sample basis; (iii) comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; and (iv) engaging an independent valuation specialists to assist us in assessing the methodologies and the reasonableness of assumptions used in impairment assessment.
Valuation of investment properties	
Refer to note 4 of critical accounting estimates and judgements, note 2.11 of accounting policy of investment properties and note 15 of investment properties to the consolidated financial statements. As at 31 December 2017, the Group had investment properties amounting to RMB32,025,830,000 which in total represented approximately 15.01% of the total assets of the Group. The estimate of the fair value of the Group's investment properties requires significant management judgement taking into account the conditions and locations of the properties as well as the latest market transactions. To support management's determination of the fair value, the Group has engaged an external valuer to perform valuations on the investment properties at the reporting date. Different valuation techniques were applied to different types of investment properties.	We evaluated the independence, competence and relevant experience of the external valuer engaged by the Company. We also assessed the scope of the valuations, critical judgements and data used in the valuations and evaluated the methodology and assumptions used. In addition, we evaluated the source data used in the valuations by benchmarking them to relevant market information.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of interests in associates and joint ventures Refer to note 17(a) of investments in associates and note 17(b) of investments in joint ventures to the consolidated financial statements. We identified the valuation of investments in associates and joint ventures as a key audit matter due to the significance of the Group's interests in associates and joint ventures in the context of the Group's consolidated financial statements, combined with the judgements involved in management's impairment assessment of the investments in associates and joint ventures, in particular, the future prospects of each associate and joint venture. As at 31 December 2017, the carrying amounts of investments in associates and joint ventures amounting to RMB5,284,835,000 and RMB6,818,118,000, respectively. As disclosed in notes 2.3 and 2.4 to the consolidated financial statements, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates and joint ventures, less accumulated impairment in the values of individual investments. As such, the Group is required to assess at each reporting date whether there is any indication that the carrying amounts of interests in associates and joint ventures may be impaired. For those associates and joint ventures in which such indication exists, the Group assessed the carrying amounts for impairment. As disclosed in notes 17(a) and 17(b) to the consolidated financial statements, no impairment of interests in associates and joint ventures was considered to be necessary as at 31 December 2017.	Our procedures in relation to the valuation of investments in associates and joint ventures included: • assessing the appropriateness of management's assessment for investments in associates and joint ventures; • understanding the management's process for identifying the existence of impairment indicators in respect of the interests in associates and joint ventures and evaluating the effectiveness of such process; • where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and joint ventures and obtaining an understanding from management of their financial position and future development plan; and • assessing the reasonableness of key inputs and assumptions used by management in their estimation of recoverable amounts, including projections of cash flows, growth rates and discount rates applied; and comparing cash flow projections to supporting evidence, such as budgets, and evaluating the reasonableness of these budgets with reference to the future prospects of the associates and joint ventures as well as our knowledge of the industry and business.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2017 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 March 2018

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5	**32,779,347**	17,771,517
Cost of sales	6	**(23,845,129)**	(15,459,546)
Gross profit		**8,934,218**	2,311,971
Other gains and (losses), net	7	**(123,454)**	(560,512)
Selling and marketing costs	6	**(896,012)**	(842,695)
Administrative expenses	6	**(2,501,232)**	(1,745,262)
Changes in fair value of investment properties	15	**2,088,849**	4,161,371
Changes in fair value of financial derivatives		**(969,204)**	(21,500)
Loss on step acquisition of a subsidiary	38(b)	**(146,258)**	–
Operating profit		**6,386,907**	3,303,373
Share of results of associates		**31,685**	(40,578)
Share of results of joint ventures	17(b)	**37**	8,223
Finance income		**1,486,084**	39,236
Finance costs	8	**(1,238,286)**	(2,159,602)
Finance income/(costs), net	8	**247,798**	(2,120,366)
Gain on extinguishment of financial liabilities	29(a)	**–**	716,143
Profit before income tax		**6,666,427**	1,866,795
Income tax expenses	9	**(3,622,579)**	(2,214,306)
Profit/(Loss) for the year		**3,043,848**	(347,511)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**3,284,889**	(612,380)
Non-controlling interests		**(241,041)**	264,869
		3,043,848	(347,511)
Earnings/(Loss) per share for earnings/(loss) attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic	11	**0.602**	(0.119)
– Diluted	11	**0.593**	(0.119)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017 RMB'000	2016 RMB'000
Profit/(Loss) for the year	**3,043,848**	(347,511)
Other comprehensive loss, including reclassification adjustments		
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of available-for-sale financial assets, net of tax	**–**	(210)
Exchange differences on translation of foreign operations	**(6,387)**	–
Other comprehensive loss for the year, including reclassification adjustments	**(6,387)**	(210)
Total comprehensive income/(loss) for the year	**3,037,461**	(347,721)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**3,283,297**	(612,590)
Non-controlling interests	**(245,836)**	264,869
	3,037,461	(347,721)

The notes on pages 109 to 225 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	14	**2,551,580**	1,087,064
Investment properties	15	**32,025,830**	30,690,680
Land use rights	16	**395,815**	163,178
Investments in associates	17(a)	**5,284,835**	1,331,121
Investments in joint ventures	17(b)	**6,818,118**	931,751
Available-for-sale financial assets	18	**4,400,796**	154,538
Debtors, deposits and other receivables	23	**823,860**	–
Goodwill and intangible assets	19	**1,206,237**	217,798
Convertible bonds receivable	20	**41,328**	–
Deferred tax assets	32	**9,699**	26,543
		53,558,098	34,602,673
Current assets			
Properties under development	21	**68,066,413**	60,559,839
Completed properties held for sale	22	**18,170,966**	16,246,233
Inventories		**2,714**	–
Available-for-sale financial assets	18	**–**	13,104
Deposits for land acquisition	24	**21,422,522**	17,693,750
Prepayments for proposed development projects	25	**15,925,608**	13,620,415
Debtors, deposits and other receivables	23	**14,124,677**	5,786,042
Prepaid taxes		**850,499**	727,280
Restricted cash	26	**7,939,574**	5,696,597
Financial assets at fair value through profit or loss		**96,467**	–
Short-term bank deposits	27	**1,232,206**	56,917
Cash and bank balances	27	**11,998,423**	10,819,117
		159,830,069	131,219,294
Current liabilities			
Advance proceeds received from customers and deposits received	28	**29,564,933**	27,973,395
Accrued construction costs		**15,170,791**	10,704,790
Income tax payable		**5,649,679**	4,440,460
Borrowings	29	**22,173,037**	7,762,301
Financial derivatives	30	**–**	263,822
Other payables	31	**17,315,611**	7,652,852
		89,874,051	58,797,620
Net current assets		**69,956,018**	72,421,674
Total assets less current liabilities		**123,514,116**	107,024,347

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Borrowings	29	**89,000,150**	79,774,515
Other payables	31	**104,171**	–
Deferred tax liabilities	32	**4,411,645**	4,203,433
		93,515,966	83,977,948
Net assets		**29,998,150**	23,046,399
Equity			
Share capital	33	**532,865**	450,450
Share premium	33	**6,913,069**	4,253,704
Reserves	34	**11,641,988**	8,241,973
Equity attributable to owners of the Company		**19,087,922**	12,946,127
Non-controlling interests		**10,910,228**	10,100,272
Total equity		**29,998,150**	23,046,399

Approved and authorised for issue by the Board of Directors on 27 March 2018.

Kwok Ying Shing
Director

Mai Fan
Director

The notes on pages 109 to 225 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company					
	Share capital RMB'000 (note 33)	Share premium RMB'000 (note 33)	Reserves RMB'000 (note 34)	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2016	450,450	4,253,704	8,845,390	13,549,544	(349,899)	13,199,645
(Loss)/Profit for the year	–	–	(612,380)	(612,380)	264,869	(347,511)
Other comprehensive loss for the year	–	–	(210)	(210)	–	(210)
Total comprehensive (loss)/income for the year	–	–	(612,590)	(612,590)	264,869	(347,721)
Acquisitions of subsidiaries (note 38)	–	–	–	–	10,185,302	10,185,302
Share-based payment	–	–	5,881	5,881	–	5,881
Others	–	–	3,292	3,292	–	3,292
Balance as at 31 December 2016 and 1 January 2017	**450,450**	**4,253,704**	**8,241,973**	**12,946,127**	**10,100,272**	**23,046,399**
Profit/(Loss) for the year	–	–	**3,284,889**	**3,284,889**	**(241,041)**	**3,043,848**
Other comprehensive loss for the year	–	–	**(1,592)**	**(1,592)**	**(4,795)**	**(6,387)**
Total comprehensive income/(loss) for the year	–	–	**3,283,297**	**3,283,297**	**(245,836)**	**3,037,461**
Acquisitions of subsidiaries (note 38)	–	–	–	–	**1,047,823**	**1,047,823**
Capital injection by non-controlling interests	–	–	–	–	**7,969**	**7,969**
Issue of shares upon exercise of share options	**3,923**	**66,732**	**(25,552)**	**45,103**	–	**45,103**
Issue of shares upon conversion of convertible bonds	**78,492**	**2,592,633**	–	**2,671,125**	–	**2,671,125**
Share-based payment	–	–	**141,281**	**141,281**	–	**141,281**
Others	–	–	**989**	**989**	–	**989**
Balance as at 31 December 2017	**532,865**	**6,913,069**	**11,641,988**	**19,087,922**	**10,910,228**	**29,998,150**

The notes on pages 109 to 225 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**6,666,191**	14,911,743
Income tax paid		**(1,971,434)**	(1,180,969)
Interest paid		**(8,125,983)**	(4,959,305)
Net cash (used in)/generated from operating activities		**(3,431,226)**	8,771,469
Cash flow from investing activities			
Additions to property, plant and equipment	14	**(1,251,264)**	(106,089)
Additions to investment properties	15	**(3,169,299)**	(3,334,880)
Additions to land use rights	16	**(238,301)**	(6,522)
Additions to intangible assets	19	**(310,299)**	(74,378)
Acquisitions of associates		**(4,045,229)**	(579,611)
Acquisitions of joint ventures	17(b)	**(1,410,775)**	(923,528)
Acquisitions of available-for-sale financial assets		**(2,222,323)**	(274,686)
Acquisitions of subsidiaries, net of cash acquired		**(4,303,121)**	(5,786,306)
Decrease/(increase) in amounts due from associates		**379,502**	(400,000)
Increase in amounts due from joint ventures		**(279,820)**	(599,390)
Increase in other receivables		**(1,206,239)**	(132,186)
Increase in short-term bank deposits		**(1,175,289)**	(42,943)
Decrease in long-term bank deposits		**–**	1,479
Dividend income received from available-for-sale financial assets	7	**22,269**	20,801
Interest received		**185,818**	39,236
Repayment for consideration payables related to acquisitions of subsidiaries		**(497,788)**	–
Proceeds from disposal of available-for-sale financial assets		**1,104**	252,172
Proceeds from disposal of a joint venture		**9,370**	–
Proceeds from disposal of property, plant and equipment		**13,298**	–
Net cash used in investing activities		**(19,498,386)**	(11,946,831)
Cash flow from financing activities			
Capital injection by non-controlling interests		**7,969**	–
Increase in other payables		**2,824,985**	534,545
Increase in restricted deposit relating to borrowings from non-financial institution	23(e)	**(1,960,203)**	–
Increase in amounts due to associates		**1,564**	132,157
Increase in restricted cash relating to borrowings		**(2,280,663)**	(1,808,675)
(Decrease)/Increase in amounts due to non-controlling interests of subsidiaries		**(571,040)**	163,614
Proceeds from bank and other borrowings	29(c)	**32,383,752**	39,746,211
Proceeds from loans from associates		**1,227,200**	–
Proceeds from issuance of Senior Notes	29(a)	**18,174,280**	–
Proceeds from exercise of share options		**45,103**	–
Repayments of bank and other borrowings		**(21,706,492)**	(27,108,483)
Repayments of loans from a related company		**(2,768,219)**	–
Repayments of Senior Notes		**(1,340,423)**	–
Net cash generated from financing activities		**24,037,813**	11,659,369
Net increase in cash and cash equivalents		**1,108,201**	8,484,007
Cash and cash equivalents at beginning of the year		**10,819,117**	2,324,546
Exchange adjustments		**71,105**	10,564
Cash and cash equivalents at end of the year, represented by cash and bank balances		**11,998,423**	10,819,117

The notes on pages 109 to 225 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and healthcare business in the People's Republic of China (the "PRC").

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"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 27 March 2018.

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 of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(i) 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 2017:

Amendments to HKAS 7	Statement of Cash Flows: Disclosure Initiative
Amendments to HKAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 35(b). The adoption of the remaining new and amended standards has no material impact on the Group's consolidated financial statements.

(ii) Issued but not yet effective HKFRSs

The following new standards, amendments and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKAS 28	Investments in Associates and Joint Ventures	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
Amendments to HKFRS 9	Repayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 16	Leases	1 January 2019
Annual improvements to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except as described below, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

HKFRS 9, Financial instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Issued but not yet effective HKFRSs (Continued)

HKFRS 9, Financial instruments (Continued)

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the classification and measurement of the Group's financial assets. The Group holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Based on preliminary assessment, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

- the impairment of financial assets applying the expected credit loss model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. For contract assets arising from HKFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing components.

- the measurement of equity investments at cost less impairment. All such investments will instead be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition to HKFRS 9. This will affect the Group's investment in unlisted equity securities which the Group intends to hold beyond 1 January 2018.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

The Group's revenue arising from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the property sales contracts and collectability of related receivables is reasonably assured.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(1) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Issued but not yet effective HKFRSs (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

(2) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(3) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group's property development activities are carried out in the PRC only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC, the Group has assessed that its property sales contracts will not meet the criteria for recognising revenue over time and therefore revenue from property sales will continue to be recognised at a point in time.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

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

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

The Group is estimating the overall impact of the above on the Group's retained earnings on 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Issued but not yet effective HKFRSs (Continued)

HKFRS 16, Leases

HKFRS 16 "Leases" will replace HKAS 17 and three related interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases in respect of land and buildings amount to RMB86,972,000, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of financial position respectively.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business 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 non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the 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 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Business combinations (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised 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 of the subsidiary's carrying value of net assets is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

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

(iv) Separate financial statements

In the Company's statement of financial position (in note 42 to the consolidated financial statements), the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.3 Associates

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

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

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

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

2.4 Joint arrangements

Under HKFRS 11, an investment in a joint arrangement is classified as either a joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

(i) Joint operations

The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 17(b).

(ii) Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of the investee in profits or losses and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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

The carrying amount of the joint venture is tested for impairment in accordance with the policy described in note 2.10.

2.5 Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

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

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

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

Hotel properties	20-25 years
Buildings	20-40 years
Machinery	5 years
Motor vehicles	5-10 years
Leasehold improvement	Over the remaining unexpired term of the leases or 5 years, whichever is shorter
Furniture, fitting and equipment	3-8 years
Vessels	10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

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

2.8 Intangible assets and goodwill

(i) Contracts with sports players

Separately acquired contracts with sports players are shown at historical cost. Costs of contracts with sports players are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets and goodwill (Continued)

(iii) Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 Land use rights

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

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (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.

2.11 Investment properties

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investment properties (Continued)

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

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

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

2.12 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets (see note 2.17). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

Convertible bonds receivable

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(ii) Recognition and measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

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

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

(iii) Offsetting financial instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or 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 debtor 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 indicates 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 is 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.

In respect of convertible bonds receivable, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

(ii) Assets classified as available-for-sale

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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, the cumulative loss – measured at 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 profit or loss on equity instruments are not reversed through profit or loss.

For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2.14 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Properties under development

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

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

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

2.16 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

2.17 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.

2.18 Financial derivatives

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

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

2.19 Cash and cash equivalents

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

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

2.20 Share capital

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

Where any group company purchases the company's share (treasury shares), the consideration paid, including any directly attributable incremental costs (net of "income taxes") is deducted from equity attributable to the company's owners until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's owners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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.

2.22 Borrowings

Borrowings are recognised initially 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.

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

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

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability, a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. When the terms of a financial liability are modified that result in a substantial modification in the context of HKAS 39, the existing liabilities are derecognised and the new liabilities are recognised at fair values, with the difference net of related fees or transaction costs paid being recognised in profit or loss. When the terms of a financial liability are modified that do not result in a substantial modification in the context of HKAS 39, the existing debts are not derecognised. The related fees paid or transaction costs are adjusted to the carrying amount of the existing debts and amortised over the remaining terms of the liabilities.

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 reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

2.24 Borrowing costs

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

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

(iii) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

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

(iii) Bonus entitlements

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

(iv) Termination benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Employee benefits (Continued)

(v) Share-based payments

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

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

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

2.27 Provisions and contingent liabilities

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 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 eliminated sales with the group entities.

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

(i) Sales of properties

(1) Completed properties held for sale

Revenue from sales of completed properties held for sale is recognised when the risks and rewards of properties are transferred to the purchasers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

(2) Proposed development project

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

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

(ii) Rental income

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

(iii) Property management

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

(iv) Hotel operation income

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

(v) Catering income

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

(vi) Hire income from charter

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

(vii) Passenger transportation agency service

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Revenue recognition (Continued)

(viii) Sales of goods

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

(ix) Interest income

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

2.29 Leases

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

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

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

(iii) The Group is the lessor

Assets leased out under an operating leases are included in investment properties in the consolidated statement of financial position.

2.30 Dividend distribution

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

2.31 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 of fees recognised.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Government grants

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

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

2.33 Related parties

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

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (if the Group is itself such a plan) and the sponsoring employers are also related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's major financial instruments include available-for-sale financial assets, financial assets through profit or loss, debtors, deposits and other receivables, cash and bank balances, restricted cash, bank deposits, convertible bonds receivable, accrued construction costs, other payables, financial derivatives and borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

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 exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. The major non-RMB assets and liabilities are convertible bonds receivable, debtors, deposit, and other receivables, restricted cash, cash and bank balances, derivatives and borrowings denominated in the United States dollar ("USD"), Hong Kong dollar ("HKD") and Euro ("Euro").

The Company and certain of its subsidiaries' functional currency is RMB, so the convertible bonds receivable, debtors and other receivables, restricted cash, cash and 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, the Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(1) *Foreign exchange risk* (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated statement of financial position are as follows:

	2017 RMB'000	2016 RMB'000
Assets		
USD	**4,885,285**	19,212
HKD	**1,292,119**	68,817
EUR	**45,277**	–
	6,222,681	88,029
Liabilities		
USD	**32,808,173**	20,673,857
HKD	**2,780,660**	280,066
	35,588,833	20,953,923

As at 31 December 2017, if RMB had strengthened/weakened by 5% (2016: 5%) against USD, HKD and EUR, with all other variables held constant, the Group's post-tax profit/(loss) for the year would have been approximately RMB1,330,124,000, RMB71,003,000 and RMB2,156,000 increased/decreased (2016: RMB894,924,000, RMB10,443,000 and nil decreased/increased) respectively, mainly as a result of net foreign exchange gains/losses on translation of USD and HKD denominated bank deposits, other receivable and borrowings.

(2) *Interest rate risk*

The Group has been exposed to 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-bearing assets and liabilities are mainly restricted cash, bank deposits, cash and bank balances, convertible bonds receivable, amounts due from associates, bank and other borrowings and senior notes. Restricted cash, bank deposits and balances and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, amounts due from associates, other borrowing and convertible bonds receivable issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2017, if interest rates on assets and liabilities had been increased/decreased by 100 (2016: 100) basis point with all variables held constant, the Group's post-tax profit/(loss) for the year would have been RMB82,531,000 decreased/increased (2016: RMB380,624,000 increased/decreased). Majority of the interest expenses would be capitalised as a result of such interest expenses directly attributable to the property construction.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

The Group is exposed to equity securities price risk in connection with the Group's investment in listed equity securities classified as available-for-sale financial assets and financial assets at fair value through profit or loss. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements.

If the price of listed equity securities had been 5% (2016: 5%) increased/decreased, post-tax profit/(loss) for the year ended 31 December 2017 would have been decreased/increased by approximately RMB3,618,000 (2016: RMB41,000).

(ii) Credit risk

The Group's credit risk primarily arises from restricted cash, bank deposits, cash and bank balances, convertible bonds receivable, debtors, deposits and other receivables and guarantees provided in respect of mortgage facilities (note 36).

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the Group is able to retain the property sales proceeds received from the purchasers and sell the property to recover any amounts paid by the Group to the bank.

The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk of the Group's convertible bonds receivable arises from default of the counterparty with a maximum exposure equal to the carrying amounts of this financial instrument.

The Group has concentration of credit risk on amounts due from associates and joint ventures, the Group assessed the credit quality of the associates and joint ventures by taking into account their financial position and credit history. Management also regularly review the recoverability of the advances. The risk of default by associates and joint ventures is low.

As at 31 December 2017, 81.3% (2016: nil) of the total trade receivables was due from the Group's largest customer. The Group does not notice any significant changes in the credit quality of the trade receivable and the amount is considered to be recoverable.

The Group has concentration of credit risk on liquid funds which are deposited with several banks, which are mainly State-owned banks and with high credit ratings in the PRC.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk

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

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the year ended 31 December 2017. As at 31 December 2017, the Group's total borrowings stood at RMB111,173,187,000. During the year ended 31 December 2017, in order to properly manage the Group's liquidity risk and capital structure, the Group has issued several batches of senior notes with an aggregated principal amount of RMB18,353,584,000.

Except for the aforementioned recent development, the Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adopt the changing local real estate market environment, implementing cost control measures, accelerating sales with more flexible pricing, seeking partners to develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will pursue such options based on its assessment of relevant future costs and benefits.

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 31 December 2017 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
At 31 December 2017					
Accrued construction costs	**15,170,791**	**–**	**–**	**–**	**15,170,791**
Borrowings	**27,625,826**	**19,923,358**	**53,932,771**	**23,785,230**	**125,267,185**
Other payables	**16,417,715**	**104,171**	**–**	**–**	**16,521,886**
	59,214,332	**20,027,529**	**53,932,771**	**23,785,230**	**156,959,862**
Financial guarantees issued:					
Maximum amount guaranteed (note 36)	**30,094,885**	**–**	**–**	**–**	**30,094,885**

	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 2016					
Accrued construction costs	10,704,790	–	–	–	10,704,790
Borrowings	14,451,809	33,154,732	60,760,105	1,052,734	109,419,380
Other payables	7,152,317	–	–	–	7,152,317
	32,308,916	33,154,732	60,760,105	1,052,734	127,276,487
Financial guarantees issued:					
Maximum amount guaranteed (note 36)	21,843,192	–	–	–	21,843,192

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 (note 29) less cash and bank balances, short-term bank deposits (note 27) and restricted cash (note 26) and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and bank balances, 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 2017 and 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Total borrowings (note 29)	**111,173,187**	87,536,816
Less: Cash and bank balances, short-term bank deposits (note 27) and restricted cash (note 26)	**(21,170,203)**	(16,572,631)
Net debt	**90,002,984**	70,964,185
Total equity	**29,998,150**	23,046,399
Gearing ratio	**300.03%**	307.92%

The gearing ratio for 2017 was lower than that for 2016 as a result of the increase in profit for the year during the year.

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).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2017				
Assets				
Financial assets at fair value through profit or loss	**96,467**	–	–	**96,467**
As at 31 December 2016				
Assets				
Available-for-sale financial assets (note 18)	1,104	–	–	1,104
Liabilities				
Financial derivatives (note 30)	–	–	(263,822)	(263,822)

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

The nominal value less impairment provisions of debtors and other receivables and the nominal value of accrued construction costs and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market 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.

(iii) Financial instruments in level 3

Information about level 3 financial derivatives' fair value measurements

The reconciliation of the carrying amounts of the Group's financial derivatives within level 3 of the fair value hierarchy is as follows:

	2017 **RMB'000**	2016 RMB'000
At 1 January	**263,822**	–
Additions	**–**	285,322
Derecognition	**(1,129,652)**	–
Loss/(Gain) recognised in profit or loss	**969,204**	(21,500)
Transferred to other payables	**(104,171)**	–
Exchange differences	**797**	–
At 31 December	**–**	263,822

For the financial derivative, RMB969,204,000 (2016: RMB21,500,000) are included in "changes in fair value of financial derivatives" in the profit or loss.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

The fair value of financial derivatives are determined by using the Binominal option pricing model. The valuation techniques and significant unobservable inputs of the financial derivatives are as follows:

Valuation techniques	Significant unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Binominal option pricing model		
– Contingent value rights ("CVRs")	Volatility of nil (2016: 45.51%) (note) Risk free rate of nil (2016: 1.62%) (note)	The higher of the volatility, the higher of the fair value, and vice versa The higher of the risk free rate, the higher of the fair value, and vice versa
– Derivative component of Mandatorily exchange bonds ("MEBs")	Volatility of nil (2016: 45.62%) (note)	The higher of the volatility, the higher of the fair value, and vice versa
– MEBs	Risk free rate of nil (2016: 1.29%) (note)	The higher of the risk free rate, the higher of the fair value, and vice versa

Note: During the year ended 31 December 2017, the financial instruments of CVRs, derivative component of MEBs and MEBs were derecognised.

Since one or more of the significant inputs are not based on observable market data, the fair value measurement of these instruments are categorised as level 3. For disclosures of fair value measurement of the Group's investment properties, details are disclosed in note 15 to the consolidated financial statements.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 2016 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	2017		2016	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Borrowings:				
– Host liability component of MEB	–	–	1,453,020	1,602,050
– Senior notes (note 29(a))	**34,752,933**	**34,795,711**	18,799,783	17,790,421

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements during the years ended 31 December 2017 and 2016.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Fair value of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried at fair value in the consolidated statement of financial position and the changes in the fair value recognised in the profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 15 to the consolidated financial statements.

As at 31 December 2017, the aggregate fair value of the Group's investment properties amounted to RMB32,025,830,000 (2016: RMB30,690,680,000) based on the valuation performed by an 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 recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2017, based on management's best estimates, the Group has made a provision of RMB1,733,708,000 (2016: RMB1,931,814,000) 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 recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2017, the carrying amounts of prepayments for proposed development projects and deposits for land acquisitions are RMB15,925,608,000 (2016: RMB13,620,415,000) and RMB21,422,522,000 (2016: RMB17,693,750,000) respectively.

4.4 Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2017, based on management's best estimates, the Group has made a provision of RMB161,565,000 (2016: RMB164,452,000) for property, plant and equipment and land use rights.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income taxes and withholding taxes on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred tax liabilities would have been increased by the same amount of approximately RMB971,605,000 (2016: RMB848,362,000).

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its land appreciation taxes calculation and payments with any local tax authorities in the PRC for most of its property projects. Accordingly, judgement is required in determining the amount of the land appreciation tax. The Group recognises these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

4.6 Intangible assets – contracts with various sports players

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The life of the intangible assets ranges from 1 to 4 years based on the respective sports players' contract. These are reviewed annually on a player by player basis to determine whether there are indicators of impairment. Determining whether the intangible asset should be impaired at the reporting date, factors such as whether the sports player will remain an active member of the playing squad and an assessment of the league that the football team will be playing in, will be taken into account.

As at 31 December 2017, the carrying amount of the intangible asset is RMB276,823,000 (2016: RMB96,019,000).

4.7 Fair value of derivative financial instruments

As described in note 30, the derivative component of MEBs, convertible bonds and CVRs are measured at fair value. The Group engaged an independent professional valuer to determine the fair values of these derivative financial instruments. The determination was based on generally accepted valuation procedures and practices that rely extensively on numerous assumptions taking into consideration of many uncertainties, including risk-free interest rate, discount rate and volatility of the Group's share price, some of which cannot be easily quantified or ascertained. Changes in subjective input assumptions can materially affect the fair value estimate.

As at 31 December 2017, the fair value of derivative financial instruments is nil (2016: RMB263,822,000).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.8 Business combinations and control over Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited") ("Kaisa Health Group")

As disclosed in note 38(b), the Group has de facto control over Kaisa Health Group in November 2017 and since then the Group's 41.24% interest at the completion date of right issue of Kaisa Health Group (2016: 21.72%) is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. The directors of the Company assessed whether the Group has control over Kaisa Health Group based on whether the Group has the practical ability to direct the relevant activities of Kaisa Health Group unilaterally. Key judgments adopted in concluding the Group has obtained control in Kaisa Health Group are: the Group has held a majority of the voting rights exercised at Kaisa Health Group's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; the shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote; and the Group has obtained effective control over majority of the board of Kaisa Health Group.

The valuation of the fair value of the net identifiable assets and liabilities was determined by reference to valuation conducted by an independent professional valuer using valuation technique. The valuation included certain key assumptions that involved significant management judgements and estimation.

The Group recognised, inter alia, intangible assets of RMB589,140,000 and other net assets excluding intangible assets of RMB493,357,000 and goodwill of RMB203,931,000, details of which is set out in note 38(b).

4.9 Classification of available-for-sale financial assets

The available-for-sale financial assets are measured at cost less impairment loss if they do not have a quoted market price in an active market. The directors of the Company are of the opinion that their fair values cannot be reliably measured and hence such unquoted equity investments are measured at cost less impairment losses at the reporting date.

Note 18 describes that the investment in an unlisted entity is treated as available-for-sale investment although the Company has 21.98% effective equity interest in this investee. The Group is entitled to appoint a director of the investee's board of directors out of a total of seven. In making their judgment, the directors of the Company considered the majority ownership of the investee is concentrated by a major shareholder who operate the investee and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes without regard to the views of the Group and concluded that it is not sufficient significant influence over the relevant activities of this investee or to participate in their operations. Accordingly, the investee is classified as available-for-sales financial assets.

4.10 Classification of joint arrangements as joint ventures

The Group assesses the existing business structure and terms of contractual arrangement of the joint arrangement agreements and classified the development project transferred to various joint arrangements as joint ventures during the year ended 31 December 2017. Accordingly, the rights to assets and obligations for liabilities in relation to the joint operation is reclassified to the joint ventures, each party involved in these companies determines its equity shareholding based on their relative interest in the joint venture under the contractual terms of the joint arrangement agreements. Details of the joint ventures are set out in note 17(b) to the consolidated financial statements.

4.11 Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. Details of impairment assessment and key assumptions are disclosed in note 19(a).

5. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Fair value of financial derivatives, corporate and other unallocated expenses, gain on extinguishment of financial liabilities, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of sales of properties, rental income, property management services, hotel and catering operations and cinema, department store and cultural centre operations, and regarded these being the reportable segments. During the year ended 31 December 2017, water-way passenger and cargo transportation operation becomes a new reportable and operating segment of the Group. Following the step acquisition of Kaisa Health Group, the Group commenced to involve in healthcare business and grouped under other operating segments which was insignificant to present as a separate segment.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the year ended 31 December 2017 consists of the following:

	2017 RMB'000	2016 RMB'000
Sales of properties		
– Completed properties held for sale	**29,126,460**	16,739,010
– Proposed development project	**2,079,641**	–
Rental income (note 15)	**249,569**	228,054
Property management services	**315,862**	271,622
Hotel and catering operations	**162,617**	81,967
Cinema, department store and cultural centre operations	**235,463**	253,270
Water-way passenger and cargo transportation	**536,491**	–
Others	**73,244**	197,594
	32,779,347	17,771,517

5. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	31,206,101	283,862	669,159	180,390	434,801	551,721	1,038,328	34,364,362
Less: inter-segment revenue	–	(34,293)	(353,297)	(17,773)	(199,338)	(15,230)	(965,084)	(1,585,015)
Revenue from external customers	31,206,101	249,569	315,862	162,617	235,463	536,491	73,244	32,779,347
Segment results before changes in fair value of investment properties, share of results of associates and joint ventures and loss on step acquisition of a subsidiary	6,554,591	135,956	19,222	(78,158)	(540,780)	153,889	(370,647)	5,874,073
Share of results of associates	74,066	–	(1,946)	–	(300)	2,246	(42,381)	31,685
Share of results of joint ventures (note 17(b))	(382)	–	–	–	–	–	419	37
Changes in fair value of investment properties (note 15)	–	2,088,849	–	–	–	–	–	2,088,849
Loss on step acquisition of a subsidiary (note 38(b))	–	–	–	–	–	–	(146,258)	(146,258)
Segment results	6,628,275	2,224,805	17,276	(78,158)	(541,080)	156,135	(558,867)	7,848,386
Changes in fair value of financial derivatives								(969,204)
Corporate and other unallocated expenses								(460,553)
Finance income								1,486,084
Finance costs								(1,238,286)
Finance income – net (note 8)								247,798
Profit before income tax								6,666,427
Income tax expenses (note 9)								(3,622,579)
Profit for the year								3,043,848

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	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:									
Depreciation (notes 6 and 14)	42,305	10,134	1,108	5,938	7,772	36,161	1,478	4,228	109,124
Amortisation of intangible assets (notes 6 and 19)	–	–	–	–	119,027	–	–	–	119,027
Amortisation of land use rights (notes 6 and 16)	3,695	–	–	1,521	2,144	–	–	–	7,360
Write-down of completed properties held for sale and properties under development (note 7)	262,332	–	–	–	–	–	–	–	262,332
Written off of trade and other receivables (note 7)	51,321	–	89,189	–	–	–	–	–	140,510
Written off of intangible assets (note 7)	–	–	–	–	10,468	–	–	–	10,468
Reversal of impairment loss on land use rights (notes 7 and 16)	(2,887)	–	–	–	–	–	–	–	(2,887)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	329,842,097	37,616,411	1,553,818	2,964,885	2,484,709	27,386,862	4,032,470	(197,850,546)	208,030,706
Unallocated									5,357,461
Total assets									213,388,167
Segment liabilities	252,222,094	5,361,023	1,210,529	2,384,989	1,641,563	16,257,045	3,508,674	(173,424,949)	109,160,968
Unallocated									74,229,049
Total liabilities									183,390,017
Other information:									
Capital expenditure (notes 14, 15 ,16 and 19)	872,510	2,818,865	2,769	803,666	354,788	107,041	9,524	–	4,969,163
Investments in associates	1,211,110	–	–	–	300	–	3,120,537	–	4,331,947
Investments in joint ventures (note 17(b))	1,405,500	–	–	–	–	–	5,275	–	1,410,775

5. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2016 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	Others RMB'000	Total RMB'000
Revenue	16,739,010	242,829	524,384	88,702	257,905	197,594	18,050,424
Less: inter-segment revenue	–	(14,775)	(252,762)	(6,735)	(4,635)	–	(278,907)
Revenue from external customers	16,739,010	228,054	271,622	81,967	253,270	197,594	17,771,517
Segment results before changes in fair value of investment properties and share of results of associates and joint ventures	(867,614)	126,243	104,537	(37,746)	(68,146)	115,222	(627,504)
Share of results of associates	(4,030)	–	–	–	–	(36,548)	(40,578)
Share of results of joint ventures (note 17(b))	(346)	–	–	–	–	8,569	8,223
Changes in fair value of investment properties (note 15)	–	4,161,371	–	–	–	–	4,161,371
Segment results	(871,990)	4,287,614	104,537	(37,746)	(68,146)	87,243	3,501,512
Changes in fair value of financial derivatives							(21,500)
Corporate and other unallocated expenses							(208,994)
Finance income							39,236
Finance costs							(2,159,602)
Finance costs – net (note 8)							(2,120,366)
Gain on extinguishment of financial liabilities							716,143
Profit before income tax							1,866,795
Income tax expenses (note 9)							(2,214,306)
Loss for the year							(347,511)

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	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:								
Depreciation (note 6 and 14)	45,085	3,740	3,116	4,841	10,838	1,117	32,632	101,369
Amortisation of intangible assets (notes 6 and 19)	–	–	–	–	85,796	–	–	85,796
Amortisation of land use rights (notes 6 and 16)	2,160	–	–	1,808	2,318	–	–	6,286
Write-down of completed properties held for sale and properties under development (note 7)	670,615	–	–	–	–	–	–	670,615

	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	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	267,711,662	17,032,340	3,400,867	2,650,132	908,139	25,309,894	(152,112,532)	164,900,502
Unallocated								921,465
Total assets								165,821,967
Segment liabilities	174,256,468	5,601,559	1,595,338	1,868,984	1,030,745	10,177,772	(148,199,829)	46,331,037
Unallocated								96,444,531
Total liabilities								142,775,568
Other information:								
Capital expenditure (notes 14, 15, 16 and 19)	4,671	3,404,525	2,101	3,696	100,354	6,522	–	3,521,869
Investments in associates	–	–	–	–	–	579,611	–	579,611
Investments in joint ventures (note 17(b))	922,728	–	–	–	–	800	–	923,528

For the year ended 31 December 2017 and 31 December 2016, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

5. SEGMENT INFORMATION (Continued)

As at 31 December 2017, segment assets of property development segment, cinema, department store and cultural centre operations segment and others segment included the investments in associates accounted for using the equity method totalling approximately RMB2,040,453,000, RMB300,000 and RMB3,244,082,000 (2016: RMB760,274,000, nil and RMB570,847,000) respectively. In addition, the segment assets of property development segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB6,812,423,000 and RMB5,695,000 (2016: RMB922,382,000 and RMB9,369,000) respectively.

Segment assets consist primarily of property, plant and equipment, investment properties, investments in joint ventures, investments in associates, goodwill and intangible assets, convertible bonds receivable, land use rights, properties under development, completed properties held for sale, inventories, debtors, deposits and other receivables, deposits for land acquisition, prepayments for proposed development projects, restricted cash, short-term bank deposits, and cash and bank balances. They exclude available-for-sale financial assets, financial assets at fair value through profit or loss, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of advance proceeds received from customers and deposits received, accrued construction costs, operating borrowings and other payables. They exclude deferred tax liabilities, financial derivatives, income tax payable and corporate borrowings.

6. EXPENSES BY NATURE

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

	2017 **RMB'000**	2016 RMB'000
Auditor's remunerations		
– Audit services	**5,500**	5,000
– Non-audit services	**1,900**	2,300
Advertising and other promotional costs	**453,372**	418,101
Agency fee	**253,538**	131,252
Amortisation of land use rights (note 16)	**7,360**	6,286
Amortisation of intangible assets (note 19)	**119,027**	85,796
Bank charges	**45,791**	34,028
Business taxes and other levies	**680,981**	737,201
Cost of properties sold	**21,775,815**	13,947,887
Depreciation (note 14)	**109,124**	101,369
Direct operating expenses arising from		
– investment properties (note 15)	**23,582**	9,613
– property management services	**220,069**	153,151
– hotel and catering operations	**51,286**	29,306
– cinema, department store, and cultural centre operations	**182,414**	158,540
– water-way passenger and cargo transportation	**335,413**	98,126
Donations (note)	**136,589**	25,989
Entertainment	**57,467**	31,095
Legal and professional fees	**339,985**	265,586
Office expenses	**119,852**	106,805
Operating lease rental	**37,630**	35,509
Others	**624,000**	721,244
Staff costs – including directors' emoluments (note 12)	**1,627,862**	921,334
Travelling	**33,816**	21,985
	27,242,373	18,047,503

Note:

The Group made donations amounted to RMB136,589,000 during the year ended 31 December 2017.

7. OTHER GAINS AND (LOSSES) – NET

	2017 RMB'000	2016 RMB'000
Bad debt recovery of other receivable	**450,000**	–
Dividend income received from		
– listed available-for-sale financial assets	**55**	–
– unlisted available-for-sale financial assets	**22,214**	20,801
Forfeited customer deposits	**16,300**	9,099
Government subsidy income (note)	**89,620**	80,104
Gain on deemed disposal of an associate (note 38(e))	**429**	–
Gain on disposal of available-for-sale financial assets	**–**	38,505
Gain/(loss) on disposal of property, plant and equipment (note 35(a))	**3,427**	(793)
Reversal of impairment loss on land use rights (note 16)	**2,887**	–
Compensation for breach of the contract	**(254,048)**	–
Others	**(16,242)**	(37,613)
Net fair value loss on financial assets at fair value through profit or loss	**(24,786)**	–
Write-down of completed properties held for sale and properties under development	**(262,332)**	(670,615)
Written off of trade and other receivables	**(140,510)**	–
Written off of intangible assets	**(10,468)**	–
	(123,454)	(560,512)

Note:

The amount represented the subsidy received from the local government bureau in the PRC as an incentive for the development in the region. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidy.

8. FINANCE INCOME/(COSTS) – NET

	2017 RMB'000	2016 RMB'000
Finance income		
Interest income on bank deposits	**131,708**	39,236
Interest income from associates	**32,067**	–
Interest income from loans to third parties	**22,043**	–
Net exchange gains	**1,300,266**	–
	1,486,084	39,236
Finance costs		
Interest expense		
– Bank borrowings	**3,725,923**	3,661,536
– Senior Notes	**2,481,915**	1,615,848
– Convertible Bonds	**99,888**	89,610
– MEBs	**–**	79,405
– Other borrowings	**1,668,835**	1,493,656
Total interest expense	**7,976,561**	6,940,055
Less: interest capitalised (note)	**(6,738,275)**	(6,017,783)
	1,238,286	922,272
Net exchange losses	**–**	1,237,330
	1,238,286	2,159,602
Finance income/(costs) – net	**247,798**	(2,120,366)

Note: The capitalisation rate of borrowings is 13.32% (2016: 14.37%) for the year.

9. INCOME TAX EXPENSES

	2017 **RMB'000**	2016 RMB'000
Current income tax		
– PRC enterprise income tax	**1,919,823**	674,476
– PRC land appreciation tax	**1,611,358**	465,003
Under provision in prior years		
– PRC land appreciation tax	**–**	28,819
Deferred income tax	**91,398**	1,046,008
	3,622,579	2,214,306

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	2017 **RMB'000**	2016 RMB'000
Profit before income tax	**6,666,427**	1,866,795
Share of results of associates and joint ventures, net	**(31,722)**	32,355
	6,634,705	1,899,150
Calculated at PRC enterprise income tax rate of 25% (2016: 25%)	**1,658,676**	474,787
Effect of different income tax rates of subsidiaries	**(16,850)**	335,746
Income not subject to tax	**(564,729)**	(395,498)
Expenses not deductible for tax purposes	**203,919**	189,601
Tax losses not recognised	**713,361**	1,110,184
Utilisation of previously unrecognised tax losses	**16,844**	5,664
PRC enterprise income tax	**2,011,221**	1,720,484
PRC land appreciation tax	**1,611,358**	493,822
Income tax expenses	**3,622,579**	2,214,306

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The Group companies in the British Virgin Islands ("BVI") were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

9. INCOME TAX EXPENSES (Continued)

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2017 and 2016 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2016: 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

10. DIVIDEND

	2017 **RMB'000**	2016 RMB'000
Proposed final dividend of HK11.8 cents (2016: nil) per share	**598,103**	–

The Board recommended the payment of a 2017 final dividend of HK11.8 cents per share, totalling HK$715,520,000 (equivalent to RMB598,103,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

11. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit/(Loss) attributable to owners of the Company (RMB'000)	**3,284,889**	(612,380)
Weighted average number of ordinary shares in issue	**5,459,531,620**	5,135,427,910
Basic earnings/(loss) per share (RMB)	**0.602**	(0.119)

The calculation of basic earnings/(loss) per share is based on the Group's profits attributable to owners of the Company of RMB3,284,889,000 (2016: loss of RMB612,380,000) and the weighted average number of 5,459,531,620 (2016: 5,135,427,910) ordinary shares, after adjusting for the issue of shares on exercise of share options and the conversion of convertible bonds during the year ended 31 December 2017.

11. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted

	2017 RMB'000	2016 RMB'000
Profit/(Loss) attributable to owners of the Company	**3,284,889**	(612,380)

	2017	2016
Weighted average number of ordinary shares in issue during the year	**5,459,531,620**	5,135,427,910
Effect of issue of shares under adjustment for share option scheme	**80,310,257**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,539,841,877**	5,135,427,910
Diluted earnings/(loss) per share (RMB)	**0.593**	(0.119)

Diluted earnings per share for the year ended 31 December 2017 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion all dilutive potential ordinary shares.

The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options. The potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to owners of the Company and is not taken into account as they had an anti-dilutive effects.

12. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2017 RMB'000	2016 RMB'000
Wages and salaries	**923,999**	638,073
Discretionary bonuses	**274,747**	–
Pension costs – statutory pension	**48,643**	32,151
Medical benefits	**19,815**	13,441
Share-based payment	**141,281**	5,881
Other allowances and benefits	**219,377**	231,788
	1,627,862	921,334

12. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

Contribution to pension plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund ("MPF") Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% eligible employees' relevant aggregate income.

13. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' and chief executive's emoluments

Details of emoluments paid to each director and chief executive for the year ended 31 December 2017 are as follows:

	Year ended 31 December 2017					
	Fees RMB'000	Salary RMB'000 (note vi)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits RMB'000 (note v)	Total RMB'000
Name of director						
Chairman						
Mr. Kwok Ying Shing (Chairman)	–	3,598	1,437	15	–	5,050
Executive Directors						
Mr. Sun Yuenan (Vice Chairman)	–	11,403	60	36	9,205	20,704
Mr. Yu Jianqing (note iv)	–	8,465	46	36	6,468	15,015
Mr. Zheng Yi *	–	6,645	46	36	9,697	16,424
Mr. Mai Fan * (note iii)	–	5,066	45	36	3,036	8,183
Non-Executive Director						
Ms. Chen Shaohuan	–	258	–	–	–	258
Independent Non-Executive Directors						
Mr. Rao Yong	258	–	–	–	429	687
Mr. Zhang Yizhao	258	–	–	–	430	688
Mr. Liu Xuesheng (note ii)	215	–	–	–	364	579
Total	731	35,435	1,634	159	29,629	67,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2016					
	Fees RMB'000	Salary RMB'000 (note vi)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits RMB'000 (note v)	Total RMB'000
Name of director						
Chairman						
Mr. Kwok Ying Shing	–	3,739	–	18	–	3,757
Executive Directors						
Mr. Sun Yuenan (Vice Chairman)	–	7,021	57	32	361	7,471
Mr. Yu Jianqing (note iv)	–	5,749	42	32	716	6,539
Mr. Zheng Yi*	–	4,440	42	32	35	4,549
Mr. Lei Fugui (note i)	–	1,119	–	–	–	1,119
Non-Executive Director						
Ms. Chen Shaohuan	–	255	–	–	–	255
Independent Non-Executive Directors						
Mr. Rao Yong	268	–	–	–	18	286
Mr. Zhang Yizhao	268	–	–	–	18	286
Total	536	22,323	141	114	1,148	24,262

* On 19 September 2017, Mr. Zheng Yi resigned as the chief executive officer of the Company and Mr. Mai Fan has been appointed as the chief executive officer of the Company.

Notes:

(i) Resigned on 1 November 2016.

(ii) Appointed on 28 February 2017.

(iii) Appointed on 4 July 2017.

(iv) Resigned on 16 January 2018.

(v) 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.

(vi) Salary paid to a director is generally an emolument paid or receivable in respect of the person's other services in connection with the management of the affairs of the Company and its subsidiary undertakings.

13. DIRECTORS', CHIEF EXECUTIVE'S 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 4 (2016: 3) directors whose emoluments are reflected in note (a) above. The emoluments for the remaining 1 (2016: 2) individual are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries and other benefits	**3,971**	7,580
Contribution to pension schemes	**15**	64
Share option benefits	**2,429**	301
	6,415	7,945

The emoluments fell within the following bands:

	2017	2016
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
	1	2

During the years ended 31 December 2017 and 2016, 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2016								
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
Year ended 31 December 2016								
Opening net carrying amounts	366,115	256,641	–	18,926	118,489	–	–	760,171
Additions	–	–	–	5,829	43,999	56,261	–	106,089
Acquisitions of subsidiaries (note 38)	–	33,354	–	8,647	14,651	209,620	56,694	322,966
Disposals	–	–	–	(171)	(622)	–	–	(793)
Depreciation (notes 5 and 6)	(17,381)	(14,405)	–	(8,452)	(61,131)	–	–	(101,369)
Closing net carrying amounts	348,734	275,590	–	24,779	115,386	265,881	56,694	1,087,064
At 31 December 2016								
Cost	434,973	412,270	–	73,374	430,558	265,881	56,694	1,673,750
Accumulated depreciation and impairment	(86,239)	(136,680)	–	(48,595)	(315,172)	–	–	(586,686)
Net carrying amounts	348,734	275,590	–	24,779	115,386	265,881	56,694	1,087,064
Year ended 31 December 2017								
Opening net carrying amounts	**348,734**	**275,590**	**–**	**24,779**	**115,386**	**265,881**	**56,694**	**1,087,064**
Additions	**560,123**	**6,232**	**2,335**	**12,260**	**513,067**	**40,814**	**116,433**	**1,251,264**
Acquisitions of subsidiaries (note 38)	**–**	**301,737**	**10,215**	**2,109**	**24,680**	**–**	**–**	**338,741**
Transfer	**–**	**–**	**–**	**–**	**–**	**56,694**	**(56,694)**	**–**
Transfer to joint ventures	**–**	**–**	**–**	**–**	**(448)**	**–**	**–**	**(448)**
Disposals	**(6,784)**	**(683)**	**–**	**(935)**	**(1,404)**	**(65)**	**–**	**(9,871)**
Depreciation (notes 5 and 6)	**(20,175)**	**(15,264)**	**(513)**	**(3,301)**	**(30,409)**	**(39,462)**	**–**	**(109,124)**
Exchange realignment	**–**	**95**	**–**	**(889)**	**(234)**	**(5,018)**	**–**	**(6,046)**
Closing net carrying amounts	**881,898**	**567,707**	**12,037**	**34,023**	**620,638**	**318,844**	**116,433**	**2,551,580**
At 31 December 2017								
Cost	**986,520**	**731,689**	**12,550**	**85,680**	**954,726**	**363,324**	**116,433**	**3,250,922**
Accumulated depreciation and impairment	**(104,622)**	**(163,982)**	**(513)**	**(51,657)**	**(334,088)**	**(44,480)**	**–**	**(699,342)**
Net carrying amounts	**881,898**	**567,707**	**12,037**	**34,023**	**620,638**	**318,844**	**116,433**	**2,551,580**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2017, hotel properties and buildings with net carrying amounts of approximately RMB590,673,000 (2016: RMB344,139,000) were pledged as collateral for the Group's borrowings (note 29).

As at 31 December 2017, included in hotel properties and buildings, there was a land and building with net carrying amounts of approximately RMB288,570,000 (2016: nil) was located in Hong Kong and under medium-term lease, and the remaining balances of hotel properties and buildings of approximately RMB1,161,035,000 (2016: RMB624,324,000) was located in the PRC and under medium-term and long-term lease.

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss:

	2017 RMB'000	2016 RMB'000
Cost of sales	**60,150**	17,381
Administrative expenses	**48,974**	83,988
	109,124	101,369

There was no impairment loss provided for the years ended 31 December 2017 and 2016.

15. INVESTMENT PROPERTIES

	Under construction RMB'000	**Completed RMB'000**	**Total RMB'000**
At 1 January 2016	14,184,200	6,554,503	20,738,703
Additions	3,334,880	–	3,334,880
Transfer from completed properties held for sale (note 22)	–	12,971	12,971
Transfer from deposits for land acquisition (note 24)	2,481,508	–	2,481,508
Disposals	–	(38,753)	(38,753)
Increase in fair value (note 5)	2,675,558	1,485,813	4,161,371
Transfer upon completion	(701,646)	701,646	–
At 31 December 2016 and 1 January 2017	**21,974,500**	**8,716,180**	**30,690,680**
Additions	**3,169,299**	**–**	**3,169,299**
Transfer from completed properties held for sale (note 22)	**–**	**932,202**	**932,202**
Increase in fair value (note 5)	**1,625,401**	**463,448**	**2,088,849**
Transfer to joint ventures	**(4,855,200)**	**–**	**(4,855,200)**
At 31 December 2017	**21,914,000**	**10,111,830**	**32,025,830**

15. INVESTMENT PROPERTIES (Continued)

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

	2017 RMB'000	2016 RMB'000
Rental income (note 5)	**249,569**	228,054
Direct operating expenses arising from investment properties that generate rental income (note 6)	**23,582**	9,613

Valuation processes of the Group

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least annually. For all investment properties, their current use equates to the highest and best use.

Discussions of valuation processes and results are held between the management, audit committee and the valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each of half year-end, the management:

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

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' estimates of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Significant inputs used to determine fair value

	2017		2016	
	Commercial	**Carpark**	Commercial	Carpark
Capitalisation rate	**3.0%-6.0%**	**4.5%**	3.0%-5.5%	6.5%
Expected vacancy rate	**0.0%-10.0%**	**N/A**	0.0%-10.0%	N/A
Monthly rental	**RMB56-574 per sq.m.**	**RMB2,400 per number**	RMB80-551 per sq.m.	RMB2,200 per number

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

15. INVESTMENT PROPERTIES (Continued)

Valuation techniques (Continued)

Fair values of commercial properties under development are generally derived using the combination of direct comparison method by making reference to the comparable market transactions for the land portion as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Significant inputs used to determine fair value

	2017	2016
Interest rate	**4.75%**	4.75%
Budgeted construction cost (RMB/sq.m.)	**2,500-9,500**	4,907-8,977
Anticipated developer's profit margin	**10.0%-20.0%**	5.0%-20.0%

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

Estimated costs to complete per square meter and developer's profit margin required are estimated by the valuer based on market conditions at the year end dates. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs, the lower the fair value.

As at 31 December 2017 and 2016, the fair value measurement of the Group's investment properties are categorised at level 3. During the years ended 31 December 2017 and 2016, there were no transfer into or out of level 3.

The Group's investment properties are analysed as follows:

	2017 RMB'000	2016 RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	**29,576,620**	30,673,480
Leases of over 50 years	**2,449,210**	17,200
	32,025,830	30,690,680

As at 31 December 2017, the investment properties amounting to RMB15,410,689,000 (2016: RMB13,758,986,000) were pledged as collateral for the Group's borrowings (note 29).

16. LAND USE RIGHTS

	2017 RMB'000	2016 RMB'000
At 1 January	**163,178**	162,942
Additions	**238,301**	6,522
Amortisation – expensed in administrative expenses (notes 5, 6)	**(7,360)**	(6,286)
Reversal of impairment loss (note 7)	**2,887**	–
Transfer	**(1,191)**	–
At 31 December	**395,815**	163,178
In PRC, held on:		
Leases of over 50 years	**22,802**	24,488
Leases of between 10-50 years	**373,013**	138,690
As 31 December	**395,815**	163,178

As at 31 December 2017, land use rights with net carrying amounts totalling RMB287,829,000 (2016: RMB52,471,000) were pledged as collateral for the Group's borrowings (note 29).

As at 31 December 2017, land use rights amounted to RMB12,249,000 (2016: RMB15,136,000) were impaired.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates

	2017 RMB'000	2016 RMB'000
Cost of investments in associates, less accumulated impairment		
– Listed	**2,677,741**	386,920
– Unlisted	**2,620,207**	988,999
Share of post-acquisition loss and other comprehensive loss, net of dividend received	**(13,113)**	(44,798)
	5,284,835	1,331,121
Fair value of listed investments	**1,871,289**	327,045

As at 31 December 2017, the fair value of the Group's interests in associates, which are listed in the Main Board of Hong Kong Stock Exchange, Shenzhen Stock Exchange and New York Stock Exchange was RMB1,871,289,000 (2016: RMB327,045,000) based on the market prices available on the respective stock exchanges, which is level 1 input in terms of HKFRS 13, Fair value measurement.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

Set out below are details of the associates of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Proportion of issued capital/interest held by the Group	Principal activity
Kaisa Health Group (note i)	the PRC/Bermuda	N/A (2016: 21.72%)	Investment holding, manufacturing and trading of electronic components and dental prosthetics
Nam Tai Property Inc. (Nam Tai) (note ii)	the PRC/ British Virgin Islands	24.50% (2016: Nil)	Property development and management
Guangdong Mingjia Lianhe Mobile Technology Co., Ltd.* ("Mingjia Lianhe") (note ii)	the PRC	21.25% (2016: Nil)	Internet marketing

* The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

Notes:

(i) On 13 November 2017, Kaisa Health Group, listed on the Main Board of the Hong Kong Stock Exchange, completed a right issue of 1,275,402,343 shares to the shareholders of Kaisa Health Group at the subscription of HK$0.4 per share, on the basis of one Kaisa Health Group share for every three Kaisa Health Group shares held on 15 September 2017. Upon the completion of right issue, an aggregate 1,273,050,748 shares were allotted to and subscribed by the Group. As a result, the Group's equity interests in Kaisa Health Group increased from 21.72% to 41.24%. The Group is able to control over Kaisa Health Group by directing the relevant activities of Kaisa Health Group. Kaisa Health Group became a subsidiary of the Company. Further details of this transaction are set out in note 38(b) to the consolidated financial statements.

(ii) During the year ended 31 December 2017, the Group completed the acquisition of 24.50% and 21.25% equity interests in Nam Tai and Mingjia Lianhe at the total consideration of RMB919,705,000 and RMB1,758,036,000 respectively. Nam Tai and Mingjia Lianhe are listed on the New York Stock Exchange and the Shenzhen Stock Exchange, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The following table illustrates of the summarised financial information in respect of Kaisa Health Group for the period up to 13 November 2017, when the step acquisition of Kaisa Health Group was completed, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Kaisa Health Group at the completion dates of acquisition by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	Kaisa Health Group	
	2017	2016
	RMB'000	RMB'000
Current assets	**–**	158,420
Non-current assets	**–**	366,132
Current liabilities	**–**	(64,968)
Non-current liabilities	**–**	(6,518)
Net assets	**–**	453,066
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**n/a**	21.72%
Carrying amount of the investment	**–**	98,406
Goodwill	**–**	283,399
Carrying amount of the Group's investment	**–**	381,805
Revenue	**179,915**	25,114
Profit/(loss) for the period/since acquisition from continuing operations	**8,604**	(7,990)
Loss for the period/since acquisition from discontinued operations	**(2,446)**	(16,994)
Profit/(loss) for the period/since acquisition	**6,158**	(24,984)
Other comprehensive income/(loss) for the period/since acquisition	**6,621**	(9,531)
Total comprehensive income/(loss) for the period/since acquisition	**12,779**	(34,515)

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The following table illustrates the summarised financial information in respect of Nam Tai and Mingjia Lianhe for the period since acquisition, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Nam Tai and Mingjia Lianhe at the completion dates of acquisition by the Group during the year, and reconciled to the carrying amount in the consolidated financial statements:

	Nam Tai 2017 RMB'000	Mingjia Lianhe 2017 RMB'000
Current assets	4,289,073	1,103,611
Non-current assets	253,796	763,877
Current liabilities	(121,620)	(449,832)
Non-current liabilities	(685,988)	(98,755)
Net assets	3,735,261	1,318,901
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	24.50%	21.25%
Carrying amount of the investment	915,139	280,266
Goodwill	–	1,477,770
Carrying amount of the Group's investment	915,139	1,758,036
Revenue	1,272	–
Loss for the period since acquisition	(16,844)	–
Other comprehensive income for the period since acquisition	15,361	–
Total comprehensive loss for the period since acquisition	(1,483)	–
Dividend received from associates	4,203	–

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2017 RMB'000	2016 RMB'000
Share of the associates profit/(losses) for the year/period since acquisitions	30,271	(32,897)
Aggregate carrying amounts of the Group's interests in these associates	2,611,660	949,316

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2017 RMB'000	2016 RMB'000
At 1 January	931,751	–
Additions	1,410,775	923,528
Reclassification	4,484,925	–
Disposal	(9,370)	–
Share of results of joint ventures	37	8,223
At 31 December	6,818,118	931,751

For the year ended 31 December 2017, the Group entered into agreements with third parties to acquire four immaterial joint ventures in aggregate amounts of RMB10,775,000 and a material joint venture namely Guangzhou Nantian Company Limited* ("Nantian") of RMB1,400,000,000. Nantian is engaged in property leasing and development.

Currently, the Group assesses the existing business structure of the joint arrangement in relation to acquisition and development of a parcel of land located in Dapeng Xiasha in Shenzhen, which the Group and the joint arrangement partner agreed to set up three entities, namely Shenzhen Jiade Travelling Company Limited*, Shenzhen Jiafu Travelling Company Limited* and Shenzhen Zhaofu Travelling Company Limited*. These companies share similar risk characteristics, and therefore these companies are collectively referred to as "JVs for Dapeng Xiasha Development Project" and present in aggregate. In accordance with the joint arrangement, the decisions about relevant activities in these entities require unanimous consent of the parties sharing control. During the preliminary stage of development, the respective land was owned by the Group and the joint arrangement partner separately, and therefore the management accounted for joint operation under this joint arrangement.

During the year ended 31 December 2017, the Group and the joint arrangement partner transferred their respective lands to these three entities, the Group is entitled to share the net asset of these three entities according to its interests in the ownership set out in the joint venture agreement. Accordingly, the management decided to reclassify the assets and liabilities of the former joint operation to the interests in joint ventures.

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

Set out below are details of joint ventures of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Proportion of the issued capital/interest held by the Group	Principal activity
Huizhou City Kaileju Company Limited* ("Kaileju") 惠州市愷樂居置業有限公司	the PRC	51% (2016: 51%)	Property development
Guangzhou Nantian Company Limited* ("Nantian") 廣州南天商業大廣場建設發展有限公司	the PRC	50% (2016: Nil)	Property leasing and development
JVs for Dapeng Xiasha Development Project 大鵬下沙合營發展項目	the PRC	51% (2016: Nil)	Property development

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

The Group shares control in the above entities with other shareholders, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

There are no contingent liabilities relating to the Group's interests in the joint venture.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

The following table illustrates of the summarised financial information in respect of Nantian for the period since acquisition and Kaileju for the year, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Nantian at the completion dates of acquisition by the Group during the year and Kaileju as of 31 December 2017, and reconciled to the carrying amount in the consolidated financial statements:

	JVs for Dapeng Xiasha Development Project 2017 RMB'000	Nantian 2017 RMB'000	Kaileju 2017 RMB'000	Kaileju 2016 RMB'000
Current assets	989,029	3,182,375	2,783,507	2,408,625
Non-current assets	12,238,863	52,748	652	2
Current liabilities	(3,219,623)	(104,889)	(981,790)	(600,034)
Non-current liabilities	(1,214,299)	(323,646)	–	–
Net assets	8,793,970	2,806,588	1,802,369	1,808,593
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	367	6,745	57,301	4,624
Current financial liabilities (excluding trade and other payables and provision)	–	–	(47,937)	–
Non current financial liabilities (excluding trade and other payables and provision)	(1,214,299)	(323,554)	–	–
Reconciliation to the Group's interest in the joint ventures				
Proportion to the Group's ownership	51%	50%	51%	51%
Carrying amount of the Group's investment	4,484,925	1,403,294	919,208	922,382
Revenue	–	71,652	–	–
Profit/(Loss) for the period/year and total comprehensive income/(loss) for the year/period since acquisition	–	6,588	(6,224)	(678)
The above profit/(loss) for the period/year including the following:				
Income tax expenses	–	2,298	–	–

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

	2017 RMB'000	2016 RMB'000
The Group's share of (loss)/profit for the year/period since acquisition	(83)	8,569
Carrying amount of the Group's interest in these joint ventures	10,691	9,369

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	2017 RMB'000	2016 RMB'000
At 1 January	**167,642**	10,000
Acquisitions of subsidiaries (note 38(g))	–	96,903
Additions (notes)	**4,234,258**	274,686
Disposals	**(1,104)**	(213,667)
Net gain recognised in other comprehensive income	–	(280)
At 31 December	**4,400,796**	167,642
Less: non-current portion	**(4,400,796)**	(154,538)
Current portion	–	13,104

Available-for-sale financial assets include the following:

	2017 RMB'000	2016 RMB'000
Listed equity investments, at fair value	–	1,104
Unlisted equity investments, at cost	**4,400,796**	166,538
	4,400,796	167,642

Notes:

(a) During the year ended 31 December 2017, the Group's investment in an unlisted entity engaged in financial service business amounting to RMB3,976,000,000. At the date of acquisition, the Group obtained 21.98% equity interest in this entity. As discussed in note 4.9 to the consolidated financial statements, the directors of the Company consider that the Group has no sufficient significant influence on the entity and classified as available-for-sale financial assets.

(b) The Group invested an unlisted investment of RMB199,131,000 in a private equity fund which invest in the automobiles business, and other unlisted investment of RMB59,127,000 (2016: RMB274,686,000) mainly represents the Group's cost of investment in private enterprise funds. The directors consider the principal activities of the investees are investment holding.

As at 31 December 2017, unlisted equity investments with an aggregate carrying amount of RMB4,400,796,000 (2016: RMB166,538,000) were stated at cost less accumulated impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of these investments in the near future. During the years ended 31 December 2017 and 2016, no impairment loss was recognised.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at 31 December 2017 and 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000 (note a)	Contracts with sports players RMB'000 (note b)	Trademarks and patent RMB'000 (note c)	Customer relationship RMB'000 (note c)	Technology RMB'000 (note c)	Distribution network RMB'000 (note c)	Others RMB'000	Total RMB'000
Cost								
At 1 January 2016	–	–	–	–	–	–	–	–
Acquisitions of subsidiaries (note 38)	121,779	107,437	–	–	–	–	–	229,216
Additions	–	74,378	–	–	–	–	–	74,378
At 31 December 2016 and 1 January 2017	**121,779**	**181,815**	**–**	**–**	**–**	**–**	**–**	**303,594**
Acquisitions of subsidiaries (note 38)	**210,600**	**–**	**23,600**	**59,700**	**8,440**	**497,400**	**7,895**	**807,635**
Additions	**–**	**310,299**	**–**	**–**	**–**	**–**	**–**	**310,299**
Written off	**–**	**(18,856)**	**–**	**–**	**–**	**–**	**–**	**(18,856)**
At 31 December 2017	**332,379**	**473,258**	**23,600**	**59,700**	**8,440**	**497,400**	**7,895**	**1,402,672**
Accumulated amortisation								
At 1 January 2016	–	–	–	–	–	–	–	–
Amortisation – expensed in administrative expenses (note 6)	–	(85,796)	–	–	–	–	–	(85,796)
At 31 December 2016 and 1 January 2017	**–**	**(85,796)**	**–**	**–**	**–**	**–**	**–**	**(85,796)**
Amortisation – expensed in administrative expenses (notes 6)	**–**	**(119,027)**	**–**	**–**	**–**	**–**	**–**	**(119,027)**
Written off	**–**	**8,388**	**–**	**–**	**–**	**–**	**–**	**8,388**
At 31 December 2017	**–**	**(196,435)**	**–**	**–**	**–**	**–**	**–**	**(196,435)**
Net carrying amounts								
At 31 December 2017	**332,379**	**276,823**	**23,600**	**59,700**	**8,440**	**497,400**	**7,895**	**1,206,237**
At 31 December 2016	121,779	96,019	–	–	–	–	–	217,798

19. GOODWILL AND INTANGIBLE ASSETS (Continued)

Note:

(a) The Group's goodwill arose from business combinations in connection with the acquisition of (i) Kaisa Health Group, (ii) Fujian Jianke Insurance Brokers Co. Ltd.* ("Fujian Jianke") and (iii) Shenzhen Qijia Internet Technology Co. Ltd.* ("Qijia") for the year ended 31 December 2017; and (iv) Shanghai Yitao Sports Culture Communication Co. Ltd* and its subsidiary (collectively referred to as the "Shanghai Yitao Group") and (v) Shenzhen Football Club Co. Ltd.* ("Shenzhen Football Club") for the year ended 31 December 2016.

For the purpose of impairment testing, goodwill has been allocated to five cash-generating units ("CGUs") of RMB121,493,000 in sports operations included in cinema, department store and cultural centre operations segment, RMB286,000 in entertainment operations included in cinema, department store and cultural centre operations, RMB203,931,000 in healthcare operations included in other segment, RMB2,462,000 in financial service operations included in other segment and RMB4,207,000 in property management operations included in property management segment.

The recoverable amounts of the CGUs are determined by directors of the Company based on value-in-use calculations. These calculations use in cash flow projections in relation to the CGU of sports operations based on financial budgets approved by management covering a 9-year (2016: 10-year) period and assumed the growth rate and inflation rate of 8% (2016: 8%) per annum and 3% (2016: 3%) per annum respectively. The cash flow discounted using a pre-tax discount rate of 12% (2016: 12.68%) and reflects specifics risks relating to the relevant segments. The financial budgets are prepared based on 9-year (2016: 10-year) business plan which is appropriate after considering the sustainability of business growth and achievement of business target extrapolated from a track record of financial results. The value assigned to the key assumptions on market development and discount rates are consistent with external information sources. As at 31 December 2017, the directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised (2016: nil).

In relation to the health business, the recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management for the year ending 31 December 2018 and the following four years based on average growth rate of 38.1% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A discount rate of 19.5% is used for this CGU and derived using risk-free rate, the market return and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

(b) The amounts represent the costs to acquire sports players' contracts or to extend their contracts, including the related agent's fees. The amortisation period ranged from 1 to 4 years.

(c) The trademarks and patent, customer relationship, technology and distribution network were measured at their fair values at the date of acquisition and the valuation of the intangible assets is performed by D&P China (HK) Limited, an independent professional valuer not related to the Group. The fair value of these intangible assets at the date of acquisition was determined based on the income approach by estimating the future income arising from these intangible assets and the cost approach by reference to the financial information provided by the Group. The expected useful lives of these intangible assets ranged from 5 to 11 years.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

20. CONVERTIBLE BONDS RECEIVABLE

Convertible bonds was subscribed by Kaisa Health Group in 2016 with an aggregate principal amount of EUR5,000,000. The bonds carried interest of 5% per annum payable on the third anniversary of the date of issue, and are denominated in Euro. As at 31 December 2017, the Group can either redeem the bond or exercise the right to subscribe equity securities from the issuers.

The convertible bonds were initially measured at transaction price, which was also the fair value resulted from arm's length market transaction, and subsequently stated at cost, accrued interest less impairment as the conversion option of the hybrid instrument is sufficiently significant to preclude the Group from obtaining a reliable estimate of the entire instrument.

Details of movement is set out below:

	RMB'000
Acquisition of subsidiaries (note 38(b))	**39,794**
Exchange realignment	**146**
Interest income	**1,388**
At 31 December 2017	**41,328**

21. PROPERTIES UNDER DEVELOPMENT

	2017 **RMB'000**	2016 RMB'000
Amount comprises:		
Construction costs	**16,984,725**	17,269,019
Interest capitalised	**12,409,299**	10,287,223
Land use rights	**39,152,558**	33,571,451
	68,546,582	61,127,693
Less: Provisions for properties under development	**(480,169)**	(567,854)
	68,066,413	60,559,839

The properties under development were located in the PRC and are stated at cost.

During the year ended 31 December 2017, the provision for properties under development of RMB63,853,000 (2016: RMB309,150,000) in aggregate were transferred to the provision for completed properties held for sale.

As at 31 December 2017, the net aggregate amount of properties under development of approximately RMB35,769,533,000 (2016: RMB40,017,551,000) were pledged as collateral for the Group's borrowings (note 29).

22. COMPLETED PROPERTIES HELD FOR SALE

	2017 **RMB'000**	2016 RMB'000
Completed properties held for sale	**19,424,505**	17,610,193
Less: Provision for completed properties held for sale	**(1,253,539)**	(1,363,960)
	18,170,966	16,246,233

The completed properties for sale were located in the PRC under medium-term and long-term lease. Completed properties held for sale which are expected to be recovered in more than twelve months after the reporting date are classified under current assets as it is expected to be realised in the Group's normal operating cycle.

During the year ended 31 December 2017, certain items of the Group's completed properties held for sale with an aggregate carrying value of approximately RMB932,202,000 (2016: RMB12,971,000) (note 15) were transferred to investment properties.

For the year ended 31 December 2017, completed properties held for sale of RMB346,129,000 (2016: RMB860,868,000) were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC. In addition, the provision for completed properties held for sale of RMB63,853,000 (2016: RMB309,150,000) in aggregate were transferred from the provision for properties under development during the year ended 31 December 2017.

As at 31 December 2017, the net aggregate amount of completed properties held for sale of approximately RMB12,786,413,000 (2016: RMB5,760,042,000) were pledged as collateral for the Group's borrowings (note 29).

23. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables (note a)	**1,964,390**	328,002
Other receivables (note b)	**2,268,769**	1,268,750
Other deposits (note c)	**3,979,177**	612,242
Prepayments (note d)	**2,531,677**	1,432,918
Prepaid other taxes	**1,293,895**	1,144,740
Restricted deposit for borrowings from non-financial institution (note e)	**1,960,203**	–
Amounts due from associates (note f)	**20,498**	400,000
Amounts due from joint ventures (note g)	**879,210**	599,390
Amount due from non-controlling interest of a subsidiary (note g)	**50,718**	–
	14,948,537	5,786,042
Less: non-current portion		
Other receivables (note b)	**(584,880)**	–
Other deposits (note c)	**(238,980)**	–
	(823,860)	–
Current portion	**14,124,677**	5,786,042

As at 31 December 2017 and 2016, the carrying amounts of debtors, deposits, other receivables, amounts due from associates, amounts due from joint ventures and amount due from non-controlling interest of a subsidiary approximates their fair values.

(a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables as at the respective reporting dates is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	**240,801**	250,634
91-180 days	**10,512**	–
181-270 days	**1,612,128**	7,825
271-365 days	**1,006**	6
Over 365 days	**99,943**	69,537
	1,964,390	328,002

Included in the Group's trade receivables balances of RMB40,831,000 and nil as at 31 December 2017 and 2016, respectively, were not yet due. The balances mainly represented receivables from sales of commercial and residential properties, and proposed development project 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) (Continued)

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

	2017 RMB'000	2016 RMB'000
Overdue within 90 days	**1,797,872**	250,634
Overdue within 91-180 days	**10,512**	–
Overdue within 181-270 days	**14,226**	7,825
Overdue within 271-365 days	**1,006**	6
Overdue over 365 days	**99,943**	69,537
	1,923,559	328,002

Receivables that were past due but not impaired related to the balances primarily represented receivables from residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans, and sales of proposed development project. Significant concentration of risk exists where the Group has material exposures to the trade receivables from sales of proposed development project from one customer located in Mainland China which accounted for 81.3% of the total trade receivables at 31 December 2017 (2016: nil).

Generally, no credit terms were granted to the customers of residential properties. These relate to a number of independent customers of residential properties for whom there was no recent history of default. The receivable from sale of proposed development project was repayable within 180 days from the agreement date.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

Up to the date when these consolidated financial statements are authorised for issue, the amounts of RMB931,628,000 and RMB100,590,000 of the trade receivables as at 31 December 2017 and 2016 have been settled, respectively.

(b) These receivables mainly included bills receivables, amounts to be refunded by the government in relation to the land acquisition in the PRC and advances to third parties.

As at 31 December 2017, there are amounting to RMB895,256,000 are unsecured, carry at interest rate ranging from 3.8% to 12% p.a. and repayable in 2018.

Included in advances to third parties, those which are repayable over 1 year amounting to RMB584,880,000 are classified as non-current assets.

(c) Other deposits mainly represented deposits for acquisition of a subsidiary amounted to RMB144,402,000 (2016: nil), acquisition of an associate amounted to RMB238,980,000 (2016: nil), refundable deposit to redevelopment project partner for the purpose of the project amounted to RMB2,940,376,000 (2016: nil) and other deposits amounted to RMB655,419,000 (2016: RMB612,242,000).

(d) Prepayments mainly represent prepayments for purchase of construction materials and services.

(e) The amount represented restricted deposit for borrowings from non-financial institution.

(f) The amounts are unsecured, carry at interest rate of 12% p.a. and repayable in 2018.

(g) The amounts are unsecured, interest-free and repayable on demand, and expected to be recovered within 12 months from the reporting date and is therefore classified as current asset.

(h) The maximum credit risk exposure is the amount shown on the consolidated statement of financial position.

(i) The carrying amounts of the Group's receivables are mainly denominated in RMB and USD.

24. 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.

During the year ended 31 December 2016, certain items of the Group's deposits with land acquisition with an aggregate carrying value of approximately RMB2,481,508,000 (note 15) were transferred to investment properties.

25. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas and other development projects with independent third parties and has made prepayments in accordance with the terms of these respective contracts. These prepayments would be converted into properties under development upon the completion of the contracts.

26. RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain subsidiaries of the Group engaged in property development are required to place in designated bank accounts certain amount of proceeds from pre-completion sale of properties as guaranteed deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and construction of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2017, such guaranteed deposits amounted to RMB3,598,458,000 (2016: RMB3,326,240,000). They will be released after the construction of the relevant properties is completed or the related property ownership certificates are issued, whichever is earlier.

(b) As at 31 December 2017, the Group's cash of RMB193,632,000 (2016: RMB502,626,000) was deposited in certain banks as guaranteed deposits for the benefit of mortgage loan facilities (note 36) granted by the banks to the purchasers of the Group's properties.

(c) As at 31 December 2017, the Group's cash of RMB4,136,943,000 (2016: RMB1,856,280,000) was deposited in certain banks as guaranteed deposits for borrowings (note 29).

(d) As at 31 December 2017, the Group's cash of RMB10,541,000 (2016: RMB11,451,000) was deposited in certain banks as guaranteed deposits for issuance of bills payables and settlement of tax.

27. RESTRICTED CASH, SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES

	2017 RMB'000	2016 RMB'000
Restricted cash (note 26)	**7,939,574**	5,696,597
Short-term bank deposits	**1,232,206**	56,917
Cash and bank balances	**11,998,423**	10,819,117
	21,170,203	16,572,631

Note:

The effective interest rates and maturities of bank deposits in the PRC are ranged from 2.00% to 3.75% (2016: 2.25% to 3.25%) per annum and from 6 to 12 months (2016: 6 to 12 months) as at 31 December 2017.

As at 31 December 2017, short-term bank deposit of RMB1,021,949,000 (2016: nil) was pledged as collateral for the Group's borrowings (note 29).

Restricted cash, short-term bank deposits and cash and bank balances are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
Denominated in – RMB	**17,499,846**	16,484,602
Denominated in – HKD	**1,716,425**	68,817
Denominated in – USD	**1,951,373**	19,212
Denominated in – EUR	**2,559**	–
	21,170,203	16,572,631
Less: Restricted cash (note 26)	**(7,939,574)**	(5,696,597)
Less: Short-term bank deposits	**(1,232,206)**	(56,917)
Cash and bank balances	**11,998,423**	10,819,117

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.

28. ADVANCE PROCEEDS RECEIVED FROM CUSTOMERS AND DEPOSITS RECEIVED

The amount of RMB29,564,933,000 (2016: RMB27,973,395,000) represents deposits and instalments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

29. BORROWINGS

	Notes	2017 RMB'000	2016 RMB'000
Borrowings included in current liabilities:			
Bank borrowings – secured	(c)	**6,824,887**	112,815
Bank borrowings – unsecured	(c)	**1,606,325**	2,643,664
Other borrowings – secured	(c)	**6,255,979**	300,000
Other borrowings – unsecured	(c)	**6,273,065**	1,828,822
Loans from a related company	(d)	**108,781**	2,877,000
Loans from associates	(e)	**1,104,000**	–
		22,173,037	7,762,301
Borrowings included in non-current liabilities:			
Senior Notes	(a)	**34,752,933**	18,799,783
MEBs	(b)	**–**	1,453,020
Bank borrowings – secured	(c)	**36,469,412**	43,896,382
Bank borrowings – unsecured	(c)	**2,442,000**	3,454,040
Other borrowings – secured	(c)	**14,905,519**	10,931,290
Other borrowings – unsecured	(c)	**307,086**	1,240,000
Loans from associates	(e)	**123,200**	–
		89,000,150	79,774,515
Total borrowings		**111,173,187**	87,536,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BORROWINGS (Continued)

Notes:

(a) Senior Notes

On 21 July 2016, the Debt Restructuring (as defined in the Company's announcement dated 22 July 2016 (the "Announcement")) was effected whereby the Group's offshore debts, including various senior notes, convertible bonds, bank and other borrowings (collectively and individually referred to as the "Original Offshore Debts") were exchanged for new notes, being Series A-E Senior Notes and Mandatorily Exchangeable Notes as described in the Announcement (collectively and individually referred to as the "New Offshore Debts"). For those exchanges with substantially different terms, the Original Offshore Debts were derecognised and the New Offshore Debts were recognised at their fair values at the effective date. A gain of approximately RMB716,143,000 was recognised for the year ended 31 December 2016, representing the difference between the carrying amount of the related Original Offshore Debts derecognised and the fair value of the related New Offshore Debts recognised, net of the related fees paid and transaction costs. For the remaining exchanges, the consent fees amounting to RMB104,346,000 in aggregate were adjusted against the carrying amounts of the related Original Offshore Debts and amortised over the remaining terms of the related New Offshore Debts.

On 30 June 2017, the Company completed an exchange offer (the "Exchange Offer") pursuant to which the Senior Notes Series A-E were exchanged for 7.25% senior notes due 2020 (the "New 2020 Notes"), 7.875% senior notes due 2021 (the "New 2021 Notes"), 8.50% senior notes due 2022 (the "New 2022 Notes") and 9.375% senior notes due 2024 (the "New 2024 Notes") (together with the New 2020 Notes, the New 2021 Notes and the New 2022 Notes, the "Senior Notes"). USD2,657,937,000 of the Senior Notes Series A-E, representing approximately 93.08% of the total aggregate principal amounts of the outstanding Senior Notes Series A-E, have been validly tendered for exchange and accepted pursuant to the Exchange Offer. Up to 31 December 2017, the Company issued additional Senior Notes that form a single series with the corresponding Senior Notes issued in the Exchange Offer (the "New Money Issuance").

The major terms and conditions of the Senior Notes include redemption at the option of the Company and the repurchase of the Senior Notes upon a change of control. As the estimated fair value of the early redemption rights is insignificant at initial recognition, the embedded derivative is not separately accounted for. The effective interest rates of the Senior Notes ranged from 7.33% to 10.36% per annum after the adjustment for transaction costs.

According to the purchase agreement in relation to the exchange offer for the existing notes, each USD1,000 principal amount of outstanding Senior Notes Series A-E was eligible to exchange for Senior Notes. As of 31 December 2017, the Exchange Offer and the New Money Issuance mainly included:

	New 2020 Notes USD'000	New 2021 Notes USD'000	New 2022 Notes USD'000	New 2024 Notes USD'000
Exchange Offer	228,130	215,385	796,919	1,417,503
New Money Issuance	231,870	109,615	458,081	1,701,497
	460,000	325,000	1,255,000	3,119,000

The New 2020 Notes, New 2021 Notes, New 2022 Notes and New 2024 Notes are listed on the Singapore Exchange Securities Trading Limited.

The Exchange Offer did not constitute a substantial modification, the consent fees paid to the holders of the Senior Notes Series A-E and the transaction costs in connection with the exchange portion amounting to RMB179,304,000 in aggregate attributable to the Exchange Offer adjusted the carrying amounts of the related Senior Notes and amortised over the remaining term of the related Senior Notes. As of 31 December 2017, certain holders of the Senior Notes Series A-E with principal amounts of USD197,570,000 (equivalent to RMB1,338,416,000) in aggregate were redeemed in full pursuant to the Exchange Offer, and the settlement is completed on 3 August 2017.

The fair values of these Senior Notes recognised, net of the transaction costs of RMB31,087,252,000, were calculated based on the present value of contractually determined stream of future cash flows discounted at the market borrowing rates as at the nearest date to the date of initial recognition, as of that date and remaining time to maturity.

In additions, the Company issued 6.1% senior notes due 2019 with an aggregated principal amount of HK$2,325,000,000 (equivalent to approximately RMB1,943,000,000) at 100% of the face value ("2019 Private Notes") on 22 December 2017. The effective interest rate of the 2019 Private Notes is 6.05% per annum after the adjustment for transaction costs of RMB1,646,000.

The 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.

29. BORROWINGS (Continued)

Notes: (Continued)

(a) Senior Notes (Continued)

The movement of the Senior Notes is as follow:

	2017 RMB'000	2016 RMB'000
Carrying amount as at 1 January	**18,799,783**	17,034,527
Accrued interests (note 8)	**2,481,915**	1,615,848
Interests paid	**(2,102,894)**	–
Redemption of Senior Notes/Derecognition of certain Existing Senior Notes and other facilities	**(1,340,423)**	(5,030,137)
Senior Notes recognised	**18,353,584**	4,480,668
Consent fee attributable to certain Existing Senior Notes and other facilities	**–**	(104,355)
Transaction costs	**(179,304)**	(43,381)
Exchange difference	**(1,259,728)**	846,613
Carrying amount as at 31 December	**34,752,933**	18,799,783

(b) MEBs/Convertible Bonds

On 21 July 2016, the Company cancelled the 2015 Convertible Bonds and issued, among other things, the MEBs. Under the terms of the MEBs, the MEBs will be automatically exchanged into the convertible bonds upon satisfaction of the mandatory exchange conditions.

On 30 June 2017, all the mandatory exchange conditions pursuant to the terms of the convertible bonds have been fulfilled and the Company issued the Exchange Convertible Bonds in exchange for the MEBs in an aggregate principal amount of USD265,898,440 due 31 December 2019 ("Maturity Date"). At the option of the Company, the Maturity Date may be extended by one year to 31 December 2020 (the "Extended Maturity Date"). The exchange of MEBs to convertible bonds did not constitute a substantial modification.

Pursuant to the terms of the convertible bonds, the number of shares to be issued on conversion of convertible bonds will be determined by dividing the principal amount of the convertible bonds converted at the fixed rate of HKD7.80 = USD1.00 by HKD2.34 per share (initial "Conversion Price"), subject to adjustment, then in effect. The Conversion Price may be adjusted subject to several events.

The convertible bonds holder may require the Company to redeem the convertible bonds at the option of the convertible bonds holder on the Extended Maturity Date; or following the occurrence of delisting, suspension of trading or change of control.

The Company may redeem the convertible bonds if (i) the Company has or will become obliged to pay additional tax amounts as a result of amendment to certain laws or regulations; or (ii) the closing price of the shares of the Company for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the Conversion Price then in effect; or (iii) at least 90% convertible bonds originally issued has already been converted, redeemed or purchased and cancelled.

As the estimated fair value of the option for the Extended Maturity Date is insignificant at initial recognition, the embedded derivative is not separately accounted for.

The conversion option and the redemption options mentioned above are considered as embedded derivative component of the convertible bonds and revalued at each reporting date.

During the year ended 31 December 2017, certain convertible bonds were converted by the bondholders into 884,126,419 new ordinary shares at HKD2.34 per share. The weighted average share price at the date of exercise for the convertible bonds during that year was HKD4.03.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BORROWINGS (Continued)

Notes: (Continued)

(b) MEBs/Convertible Bonds (Continued)

The derivative component was valued at fair value by the directors with reference to valuation carried out by an independent professional valuer, Savills Valuation and Professional Services Limited. The fair values of derivative component is derived by deducting the fair value of the liability component from the fair value of convertible bonds as a whole which is calculated using Binomial Option Pricing Model. The aggregate amounts of fair values changes of conversion option and redemption option are RMB1,129,652,000 as at each of conversion dates were charged to profit or loss for the year ended 31 December 2017.

The major inputs used in the models as at the conversion dates were as follows:

	Conversion dates
Stock price	HK$3.00-HK$6.66
Exercise price	HK$2.34
Time to maturity	2.2-2.5 years
Risk-free rate	0.71%-1.06%
Volatility	35.97%-43.19%

Any changes in the major inputs in the model may result in changes in the fair value of the derivative component.

The MEBs/convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	Host liability component RMB'000	**Derivative component** RMB'000	**Total** RMB'000
Initial fair value of convertible bonds issued	1,324,519	248,487	1,573,006
Less: transaction costs	(14,957)	–	(14,957)
Carrying amount at initial recognition	1,309,562	248,487	1,558,049
Carrying amount at initial recognition	1,309,562	248,487	1,558,049
Accrued interest (note 8)	79,405	–	79,405
Exchange difference	64,053	–	64,053
As at 31 December 2016 and 1 January 2017	**1,453,020**	**248,487**	**1,701,507**
Accrued interest (note 8)	**99,888**	**–**	**99,888**
Derecognition of financial derivative liability upon Exchange Offer	**–**	**(248,487)**	**(248,487)**
Initial fair value of financial derivative liability recognised	**–**	**482,264**	**482,264**
Interests paid	**(41,945)**	**–**	**(41,945)**
Changes in fair value during the year	**–**	**646,591**	**646,591**
Exchange difference	**30,510**	**797**	**31,307**
Derecognition of convertible bonds	**(1,541,473)**	**(1,129,652)**	**(2,671,125)**
As at 31 December 2017	**–**	**–**	**–**

(c) Bank and other borrowings

The Group's bank and other borrowings of RMB64,455,797,000 (2016: RMB55,240,487,000) were secured by certain properties, investment properties, land use rights, properties under development and completed properties held for sale of the Group (notes 14, 15, 16, 21 and 22) and shares of certain of the Group's subsidiaries and joint ventures.

29. BORROWINGS (Continued)

Notes: (Continued)

(c) Bank and other borrowings (Continued)

The pledged assets for the Group's bank and other borrowings are as follows:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	**590,673**	344,139
Investment properties	**15,410,689**	13,758,986
Land use rights	**287,829**	52,471
Properties under development	**35,769,533**	40,017,551
Completed properties held for sale	**12,786,413**	5,760,042
Short-term bank deposits	**1,021,949**	–
Restricted cash	**4,136,943**	1,856,280
Restricted deposit	**1,960,203**	–
	71,964,232	61,789,469

The Group's bank and other borrowings are guaranteed by certain subsidiaries of the Group:

	2017 RMB'000	2016 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	**56,584,662**	49,210,913
– guaranteed by the Company	**6,110,830**	6,852,238
	62,695,492	56,063,151

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

(d) Loans from a related company

The amounts due are unsecured, carry interest rate at 12.0% and repayable in 2018. The related company is controlled by a substantial shareholder of the Company.

(e) Loans from associates

Loans from associates amounted to RMB123,200,000 are unsecured, carry interest rate at 10.0% per annum and repayable in 2019 and accordingly are classified as non-current liabilities. The remaining balance amounted to RMB1,104,000,000 are unsecured, carry interest rate ranging from 4.35% to 12.5% per annum and repayable on demand.

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

	2017	2016
Bank borrowings, included in non-current liabilities	**6.7%**	6.8%
Bank borrowings, included in current liabilities	**7.0%**	6.7%
Other borrowings, included in non-current liabilities	**9.6%**	10.5%
Other borrowings, included in current liabilities	**11.2%**	9.8%
Loans from associates, included in non-current liabilities	**10.0%**	–
Loans from associates, included in current liabilities	**9.4%**	–
Loans from a related company, included in current liabilities	**12.0%**	12.0%
Senior Notes	**6.05%-10.36%**	8.27%-12.05%
MEBs	**–**	13.58%

(g) The amounts of the Group's borrowings are denominated in RMB except for New Senior Notes, MEBs and certain bank and other borrowings with aggregate amounts of RMB33,494,022,000 and RMB2,643,489,000 (2016: RMB20,673,857,000 and RMB280,066,000), which are denominated in USD and HKD respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL DERIVATIVES

	2017 RMB'000	2016 RMB'000
Measured at fair value at each reporting date and included in the consolidated statement of financial position as liabilities:		
CVRs	–	(34,032)
Derivative component of MEBs	–	(229,790)
	–	(263,822)

Note: CVRs represents 232,621 contingent value rights with a notional amount of US$70 each that entitle the holders to the payment of US$14 for each CVR they hold upon occurrence of certain triggering events as specified in the related agreements. Such CVRs are classified as derivative liabilities.

During the year ended 31 December 2017, the derivative of CVRs was derecognised and reclassified as other payable following to the occurrence of all triggering events.

31. OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Other payables and accruals (note (i))	**6,248,743**	3.451.509
Accrued interest	**1,605,623**	664,659
Accrued staff costs	**258,782**	87,400
Bills payables	**213,030**	321,662
Compensation payable	**154,048**	–
Consideration payables related to acquisitions of subsidiaries	**2,731,979**	695,105
Consideration payables related to acquisitions of associate and joint venture	**1,857,937**	–
Consideration payables related to available-for-sale financial assets	**2,011,935**	–
Deed tax and other taxes payables	**897,896**	500,535
Deposits received	**198,391**	171,806
Amounts due to associates (note (ii))	**925,721**	924,157
Amounts due to non-controlling interests of subsidiaries (note (ii))	**315,697**	836,019
	17,419,782	7,652,852
Less: non-current portion		
Other payables and accruals	**(104,171)**	–
Current portion	**17,315,611**	7,652,852

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

Notes:

(i) Other payables and accruals mainly included accrued operating expenses, and advance from third parties for operations and amounts due to former shareholders in relation to newly acquired subsidiaries which are interest-free, unsecured and repayable on demand.

(ii) The amounts due are unsecured, interest-free and repayable on demand.

32. DEFERRED INCOME TAX

Deferred 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:

	2017 **RMB'000**	2016 RMB'000
Deferred tax assets	**9,699**	26,543
Deferred tax liabilities	**(4,411,645)**	(4,203,433)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(4,176,890)**	(3,130,882)
Acquisitions of subsidiaries (note 38)	**(133,658)**	–
Recognised in profit or loss (note 9)	**(91,398)**	(1,046,008)
End of the year	**(4,401,946)**	(4,176,890)

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

Deferred tax assets arose from:

	Tax losses RMB'000
At 1 January 2016	118,803
Charged to profit or loss	(5,664)
At 31 December 2016 and 1 January 2017	113,139
Charged to profit or loss	(16,844)
At 31 December 2017	**96,295**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB15,018,605,000 (2016: RMB12,020,382,000) that can be carried forward against future taxable income. These tax losses have no expiry date except that approximately RMB648,689,000 (2016: RMB457,286,000) will expiry from 2018 to 2021.

32. DEFERRED INCOME TAX (Continued)

Deferred tax liabilities arose from:

	Properties acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2016	–	–	3,188,248	3,188,248
Charged to profit or loss	–	–	1,040,344	1,040,344
At 31 December 2016 and 1 January 2017	–	–	4,228,592	4,228,592
Acquisitions of subsidiaries (note 38)	34,389	99,269	–	133,658
Charged to profit or loss	–	–	522,212	522,212
Derecognition – transfer from joint operation to joint ventures	–	–	(447,658)	(447,658)
At 31 December 2017	34,389	99,269	4,303,146	4,436,804

At 31 December 2017, the unrecognised deferred tax liabilities were RMB971,605,000 (2016: RMB848,362,000), 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 2017 amounted to RMB19,432,100,000 (2016: RMB16,967,239,000).

33. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary share of HKD0.10 each					
At 1 January 2016,					
31 December 2016, 1 January 2017					
and 31 December 2017	50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:					
At 1 January 2016,					
31 December 2016, 1 January 2017	**5,135,427,910**	**513,543**	**450,450**	**4,253,704**	**4,704,154**
Issue of shares upon exercise of share options (notes (a) and 39)	**44,176,000**	**4,418**	**3,923**	**66,732**	**70,655**
Issue of shares upon conversion of convertible bonds (note (b))	**884,126,419**	**88,412,642**	**78,492**	**2,592,633**	**2,671,125**
At 31 December 2017	**6,063,730,329**	**88,930,603**	**532,865**	**6,913,069**	**7,445,934**

Changes in the share capital of the Company during the year ended 31 December 2017 are as follows:

(a) For the year ended 31 December 2017, 44,176,000 shares were issued upon exercise of share options. Total proceeds were HKD78,320,000 (equivalent to RMB70,655,000). The weighted average share price at the time of exercise was HKD1.773 (as at 31 December 2016: nil) per share. The related transactions costs were deducted from the proceeds received. For the year ended 31 December 2016, no share was issued.

(b) As stated in note 29(b) to the consolidated financial statements, the convertible bonds have been fully converted at the conversion price to 884,126,419 ordinary shares of the Company for the year ended 31 December 2017. The carrying amount of host liability and derivative components of convertible bonds, net of the par value of the shares, of RMB2,592,633,000 has been transferred to the share premium.

34. THE GROUP'S RESERVES

	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Other reserve RMB'000	Conversion option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	382	24,835	834,530	55,328	(487,047)	–	220,824	8,196,538	8,845,390
Total comprehensive loss for the year	–	–	–	–	–	–	–	(612,590)	(612,590)
Share-based payments (note c)	–	–	–	5,881	–	–	–	–	5,881
Share options lapsed	–	–	–	(6,840)	–	–	–	6,840	–
Derecognition of conversion options included in the convertible bonds issued in 2010	–	–	–	–	–	–	(220,824)	220,824	–
Transfer to statutory reserves (note b)	–	–	79,068	–	–	–	–	(79,068)	–
Others	–	–	–	–	–	3,292	–	–	3,292
Balance at 31 December 2016 and 1 January 2017	**382**	**24,835**	**913,598**	**54,369**	**(487,047)**	**3,292**	**–**	**7,732,544**	**8,241,973**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,284,889**	**3,284,889**
Other comprehensive (loss)/income for the year	**–**	**(1,592)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,592)**
Total comprehensive (loss)/income for the year	**–**	**(1,592)**	**–**	**–**	**–**	**–**	**–**	**3,284,889**	**3,283,297**
Issue of shares upon exercise of share options	**–**	**–**	**–**	**(25,552)**	**–**	**–**	**–**	**–**	**(25,552)**
Share-based payments (note c)	**–**	**–**	**–**	**141,281**	**–**	**–**	**–**	**–**	**141,281**
Share options lapsed	**–**	**–**	**–**	**(2,126)**	**–**	**–**	**–**	**2,126**	**–**
Transfer to statutory reserves (note b)	**–**	**–**	**45,939**	**–**	**–**	**–**	**–**	**(45,939)**	**–**
Others	**–**	**–**	**–**	**–**	**4,281**	**(3,292)**	**–**	**–**	**989**
Balance at 31 December 2017	**382**	**23,243**	**959,537**	**167,972**	**(482,766)**	**–**	**–**	**10,973,620**	**11,641,988**

34. THE GROUP'S RESERVES (Continued)

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 5% to 10% of the profit for the year after 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 is solely determined by the Board of Directors of these foreign investment enterprises.

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the companies' articles of association, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

For the year ended 31 December 2017, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB45,939,000 (2016: RMB79,068,000) 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 39).

(d) Capital reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid for the acquisition of additional interest in subsidiaries.

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2017 **RMB'000**	2016 RMB'000
Profit/(Loss) for the year	**3,043,848**	(347,511)
Adjustments for:		
Income tax expenses (note 9)	**3,622,579**	2,214,306
Depreciation (notes 6 and 14)	**109,124**	101,369
Amortisation of land use rights (notes 6 and 16)	**7,360**	6,286
Amortisation of intangible assets (notes 6 and 19)	**119,027**	85,796
Bad debt recovery of other receivable (note 7)	**(450,000)**	–
Dividend income received from available-for-sale financial assets (note 7)	**(22,269)**	(20,801)
Gain on deemed disposal of an associate (notes 7 and 38(e))	**(429)**	–
Gain on disposal of available-for-sale financial assets (note 7)	**–**	(38,505)
Net exchange (gain)/losses (note 8)	**(1,300,266)**	1,237,330
Write-down of completed properties held for sale and properties under development (note 7)	**262,332**	670,615
Written off of intangible assets (note 7)	**10,468**	–
Reversal of impairment loss on land use rights (notes 7 and 16)	**(2,887)**	–
Loss on step acquisition of a subsidiary	**146,258**	–
Written off of trade and other receivables (note 7)	**140,510**	–
Interest income (note 8)	**(185,818)**	(39,236)
Interest expense (note 8)	**1,238,286**	922,272
Share of results of associates	**(31,685)**	40,578
Share of results of joint ventures (note 17(b))	**(37)**	(8,223)
(Gain)/loss on disposal of property, plant and equipment (note)	**(3,427)**	793
Changes in fair value of investment properties (note 15)	**(2,088,849)**	(4,161,371)
Changes in fair value of financial derivatives	**969,204**	21,500
Gain on extinguishment of financial liabilities (note 29(a))	**–**	(716,143)
Share-based payment (note 12)	**141,281**	5,881
Net fair value loss on financial assets at fair value through profit or loss (note 7)	**24,786**	–
Changes in working capital:		
Inventories	**222**	–
Properties under development and completed properties held for sale	**4,045,108**	10,091,625
Debtors, deposits and other receivables	**(3,620,629)**	7,662,800
Deposits for land acquisition	**(2,033,401)**	(597,244)
Convertible bonds interest income received	**(146)**	–
Prepayments for proposed development projects	**336,294**	(3,053,465)
Financial assets at fair value through profit or loss	**(121,253)**	–
Restricted cash	**37,686**	(2,918,519)
Advance proceeds received from customers and deposits received	**1,534,391**	13,447,636
Accrued construction costs	**4,753,355**	(3,886,930)
Other payables	**(4,014,832)**	(5,809,096)
Cash generated from operations	**6,666,191**	14,911,743

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Cash generated from operations (Continued)

Note:

(Gain)/loss on disposal of property, plant and equipment are as follows:

	2017 RMB'000	2016 RMB'000
Net carrying value disposed (note 14)	**9,871**	793
Proceeds received	**(13,298)**	–
(Gain)/loss on disposal (note 7)	**(3,427)**	793

(b) Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Financial derivatives RMB'000	Other payables RMB'000
As at 1 January 2017	**87,536,816**	**263,822**	**7,652,852**
Changes from financing cash flows:			
Increase in other payables	–	–	**2,824,985**
Increase in amounts due to associates	–	–	**1,564**
Decrease in amounts due to non-controlling interests of subsidiaries	–	–	**(571,040)**
Proceeds from bank and other borrowings	**32,383,752**	–	–
Proceeds from loans from associates	**1,227,200**	–	–
Proceeds from issuance of Senior Notes	**18,174,280**	–	–
Repayments of bank and other borrowings	**(21,706,492)**	–	–
Repayments of loans from a related company	**(2,768,219)**	–	–
Repayments of Senior Notes	**(1,340,423)**	–	–
Total changes from financing cash flows	**25,970,098**	–	**2,255,509**
Non-cash changes			
– exchange differences	**(1,229,218)**	–	–
– finance expenses recognised	**7,976,561**	–	–
– convertible bonds derecognised	**(1,541,473)**	–	–
– financial derivative derecognised	–	**(1,129,652)**	–
– changes in fair value of financial derivatives	–	**969,204**	–
– transfer to joint venture	**(765,000)**	–	**(94,583)**
Other changes (note)	**(8,125,983)**	**(103,374)**	**(2,345,796)**
Acquisitions of subsidiaries, net of cash required	**1,351,386**	–	**9,951,800**
As at 31 December 2017	**111,173,187**	–	**17,419,782**

Note:

Other changes mainly represented the interest capitalisation, decrease in other payables included in operating activities and repayment for consideration payables related to acquisitions of subsidiaries included in investing activities.

36. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at 31 December 2017 and 2016:

	2017 RMB'000	2016 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	**30,094,885**	21,843,192

The guarantees in respect of mortgage facilities granted by certain banks related to mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

37. COMMITMENTS

(a) Commitments for property development expenditures and acquisitions of subsidiaries and an associate

	2017 RMB'000	2016 RMB'000
Contracted but not provided for		
– Acquisitions of land use rights and property development activities	**31,849,843**	27,186,258
– Acquisitions of subsidiaries	**834,598**	461,400
– Acquisition of an associate	**1,947,851**	–
	34,632,292	27,647,658

(b) Operating lease commitments

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

	2017 RMB'000	2016 RMB'000
Not later than one year	**37,528**	27,278
Later than one year and not later than five years	**46,439**	29,906
Later than five years	**3,005**	324
	86,972	57,508

37. COMMITMENTS (Continued)

(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:

	2017 RMB'000	2016 RMB'000
Not later than one year	**209,090**	176,819
Later than one year and not later than five years	**569,683**	427,198
Later than five years	**193,586**	236,789
	972,359	840,806

38. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Guangzhou International Toys and Gift City Co., Ltd.* ("Guangzhou Toys")

On 30 March 2017, the Group acquired 90% equity interest of Guangzhou Toys at a cash consideration of RMB885,146,000. Guangzhou Toys mainly owns properties under development and completed properties held for sales, and operates property development before they were acquired by the Group. The purpose of the acquisition was mainly for acquiring the land for future development. Thus, the directors are of the view that the acquisition is treated as acquisition of properties under development in substance.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquirer's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Guangzhou Toys as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 14)	**422**
Properties under development	**3,054,585**
Debtors, deposits and other receivables	**142,527**
Cash and bank balances	**177**
Accrued construction costs	**(2,588)**
Other payables	**(2,211,627)**
Net assets	**983,496**
Less: non-controlling interests	**(98,350)**
Net assets acquired	**885,146**
Purchase consideration settled in cash	**885,146**
Cash and bank balances in a subsidiary acquired	**(177)**
Cash outflow on acquisition of a subsidiary	**884,969**

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of Kaisa Health Group

On 13 November 2017, Kaisa Health Group completed a right issue, enable the Group obtained the effective control over Kaisa Health Group, and became a subsidiary of the Group. The Group considers that the step acquisition provides a good opportunity to diversify the Group's business risk. The results of Kaisa Health Group is consolidated into the Group's financial statements commencing from the acquisition date (i.e. 13 November 2017).

The Group accordingly remeasured the fair value of its pre-existing interest in Kaisa Health Group at the date of completion and recognised the resulting loss of RMB146,258,000 on the remeasurement of the Group's pre-existing interest in Kaisa Health Group to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose. The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Kaisa Health Group at the acquisition date are summarised as follows:

	2017 RMB'000
Share of net assets	**381,376**
Less: Fair value of pre-existing interest	**(235,118)**
Loss on step acquisition of a subsidiary	**146,258**

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of Kaisa Health Group (Continued)

Details of the aggregate fair values of the identifiable assets and liabilities of Kaisa Health Group as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 14)	11,943
Intangible assets (note 19)	589,140
Convertible bonds receivable (note 20)	39,794
Inventories	2,936
Debtors, deposits and other receivables	113,529
Cash and bank balances	460,066
Other payables	(35,642)
Deferred tax liabilities (note 32)	(99,269)
Total identifiable net assets at fair value	1,082,497
Less: non-controlling interests	(636,075)
	446,422
Goodwill (note 19)	203,931
	650,353
Satisfied by:	
– Cash	415,235
– Fair value of pre-existing interest	235,118
	650,353
Purchase consideration settled in cash	415,235
Cash and bank balance in a subsidiary acquired	(460,066)
Cash inflow on acquisition of a subsidiary	(44,831)

Since the completion of step acquisition of Kaisa Health Group, Kaisa Health Group contributed total revenue of RMB15,123,000 and net loss of RMB3,831,000 included in the consolidated statement of profit and loss for the year ended 31 December 2017. Had the step acquisition of Kaisa Health Group been consolidated from 1 January 2017, the consolidated statement of profit or loss would show the increase in pro-forma revenue and profit for the year by RMB195,038,000 and RMB2,327,000, respectively.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition of Fujian Jianke Insurance Brokers Co. Ltd.*("Fujian Jianke")

On 29 September 2017, the Group acquired 84% equity interest in Fujian Jianke at a cash consideration of RMB8,400,000 to diversify its business. Fujian Jianke is principally engaged in insurance operation. Thus, the Directors of the Company are of the view that the acquisition constitutes acquisition of business.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The identifiable assets and liabilities arising from the acquisition are as follows:

	2017 RMB'000
Debtors, deposit and other receivables	1,323
Prepaid taxes	61
Cash and bank balances	5,685
Total identifiable net assets at fair value	7,069
Less: non-controlling interests	(1,131)
Net assets acquired	5,938
Goodwill (note 19)	2,462
Total purchase consideration	8,400
Total purchase consideration:	
– settled in cash during the year	6,400
– payable	2,000
	8,400
Purchase consideration settled in cash	6,400
Cash and bank balances in a subsidiary acquired	(5,685)
Cash outflow on acquisition of the subsidiary	715

Fujian Jianke contributed total revenue of RMB152,000 and net loss of RMB54,000 to the Group for the period from the acquisition date to 31 December 2017. Had Fujian Jianke been consolidated from 1 January 2017, the consolidated statement of profit or loss would show the increase in pro-forma revenue by RMB598,000 and the decrease in pro-forma profit for the year by RMB211,000.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(d) Acquisitions of assets

For the year ended 31 December 2017, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total consideration of approximately RMB6,318,309,000. These companies did not operate any business prior to the acquisitions and only had property, plant and equipment, investments in associates, properties under development, prepayments for proposed development projects, and deposits for land acquisitions. Therefore, the Group considered this would be an acquisition of assets in substance and the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of property, plant and equipment, investments in associates, properties under development, prepayments for proposed development project and deposits for land acquisitions.

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

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2017 RMB'000
Property, plant and equipment (note 14)	326,056
Investments in associates	291,406
Properties under development	4,763,197
Deposits for land acquisition	2,024,550
Prepayment for proposed development projects	2,641,487
Debtors, deposits and other receivables	1,760,315
Prepaid taxes	529
Cash and bank balances	330,963
Accrued construction costs	(7,274)
Borrowings	(549,836)
Other payables	(4,950,952)
Net assets	6,630,441
Less: non-controlling interests	(312,132)
Net assets acquired	6,318,309
Total purchase consideration:	
– settled in cash during the year	3,785,647
– payable	2,532,662
	6,318,309
Purchase consideration settled in cash	3,785,647
Cash and bank balances in subsidiaries acquired	(330,963)
Cash outflow on acquisition of subsidiaries	3,454,684

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(e) Acquisition of Shenzhen Qijia Internet Technology Co. Ltd.*("Qijia")

On 31 December 2017, the Group acquired an additional equity interest of Qijia at the consideration of RMB5,382,000. Qijia was previously an associate of the Group. After the additional acquisition, the Group has 92.26% effective equity interest in Qijia.

The Group accordingly remeasured the fair value of its pre-existing interest in Qijia at the date of completion and recognised the resulting gain of RMB429,000 on the remeasurement of the Group's pre-existing interest in Qijia to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Qijia at the acquisition date are summarised as follows:

	2017 RMB'000
Share of net assets	**7**
Less: Fair value of pre-existing interest	**(436)**
Gain on deemed disposal of an associate (note 7)	**(429)**

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(e) Acquisition of Shenzhen Qijia Internet Technology Co. Ltd.*("Qijia") (Continued)

Details of the aggregate fair values of the identifiable assets and liabilities of Qijia as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 14)	197
Intangible assets – other (note 19)	7,895
Debtors, deposits and other receivables	571
Cash and bank balances	122
Advance deposits received from customers and deposits received	(810)
Accrued construction costs	(54)
Other payables	(6,175)
Total identifiable net assets at fair value	1,746
Less: non-controlling interests	(135)
	1,611
Goodwill (note 19)	4,207
	5,818
Satisfied by:	
Cash	5,382
Fair value of pre-existing interest	436
	5,818
Purchase consideration settled in cash	5,382
Cash and bank balances in a subsidiary acquired	(122)
Cash outflow on acquisition of a subsidiary	5,260

Oijia contributed total revenue of RMBnil and net loss of RMBnil to the Group for the period from the acquisition date to 31 December 2017. Had Qijia been consolidated from 1 January 2017, the consolidated statement of profit or loss would show the increase in pro-forma revenue by RMB1,344,000 and the decrease in pro-forma profit for the year by RMB7,795,000.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(f) Acquisition of Hunan Ding Cheng Da Real Estate Development Co., Ltd.*("Ding Cheng Da")

On 22 December 2017, the Group acquired 100% equity interest of Ding Cheng Da at a cash consideration of RMB235,047,000. Ding Cheng Da is principally engaged in property development. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

Details of the aggregate fair values of the identifiable assets and liabilities of Ding Cheng Da as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 14)	**123**
Properties under development	**878,683**
Completed properties held for sales	**208,957**
Debtors, deposits and other receivables	**74,408**
Prepaid taxes	**25,499**
Cash and bank balances	**232,723**
Advance proceeds received from customers and deposits received	**(56,337)**
Accrued construction costs	**(80,328)**
Borrowings	**(801,550)**
Other payables	**(212,742)**
Deferred tax liabilities (note 32)	**(34,389)**
Net assets acquired	**235,047**
Purchase consideration settled in cash	**235,047**
Cash and bank balances in subsidiary acquired	**(232,723)**
Cash outflow on acquisitions of subsidiary	**2,324**

Ding Cheng Da contributed net profit of RMB4,289,000 to the Group for the period from the acquisition date to 31 December 2017. Has Ding Cheng Da been consolidated from 1 January 2017, the consolidated statement of profit or loss would show the increase in pro-forma revenue and profit for the year by RMB121,490,000 and RMB29,601,000, respectively.

(g) Acquisition of Shenzhen Marine Group Company Limited* ("Shenzhen Marine")

On 12 May 2016, the Group acquired 70% equity interest of Shenzhen Marine at a cash consideration of RMB5,822,438,000 to obtain control over Shenzhen Marine. Shenzhen Marine mainly held a piece of land located at Donjaotou in Nanshan District (the "Land") through a 51% owned subsidiary (the "entity") and operates water-way passenger and cargo transportation business through other subsidiaries before they were acquired by the Group. The purpose of the acquisition was mainly for acquiring the Land for future development, while the water-way passenger and cargo transportation business was insignificant as of 31 December 2016. Thus, the directors of the Company were of the view that the acquisition is treated as acquisition of land in substance.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(g) Acquisition of Shenzhen Marine Group Company Limited* ("Shenzhen Marine") (Continued)

The business license of the entity has been expired in 2014 and the entity applied for liquidation to the court. Based on the PRC laws and regulations, after the expiry of the operation period, the legal identity of the entity still exists and its net assets (net of the liquidation expenses and repayment to the creditors) will be distributed to the shareholders in accordance with the respective proportion of equity contributions.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The assets and liabilities recognised at the date of acquisition are as follows:

	2016 RMB'000
Property, plant and equipment (note 14)	311,719
Investments in associates (note 17(a))	8,913
Available-for-sale financial assets (note 18)	96,903
Debtors, deposits and other receivables	864,926
Deposits for land acquisition	15,575,628
Cash and bank balances	263,521
Advance deposits received from customers and deposits received	(1,591)
Income tax payable	(19,278)
Borrowings	(510,740)
Other payables	(596,930)
Net assets	15,993,071
Less: non-controlling interests	(10,170,633)
Net assets acquired	5,822,438
Purchase consideration settled in cash	5,822,438
Cash and bank balances acquired	(263,521)
Cash outflow on acquisition of subsidiaries	5,558,917

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(h) Acquisition of Shenzhen Football Club Co., Ltd.* ("Shenzhen Football Club")

On 5 February 2016, the Group acquired 90% equity interest of Shenzhen Football Club at a cash consideration of RMB203,446,000. The directors are of the view that the acquisition constitutes acquisition of business.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets of Shenzhen Football Club.

The following table summarises the consideration paid for the acquisition, the fair value of the assets acquired and liabilities assumed at the acquisition date.

	2016 RMB'000
Property, plant and equipment (note 14)	1,446
Intangible assets – contracts with various sports players (note 19)	107,437
Debtors, deposits and other receivables	239,300
Cash and bank balances	358
Income tax payable	(14,806)
Other payables	(225,728)
Net assets	108,007
Less: non-controlling interests	(10,801)
Net assets acquired	97,206
Purchase consideration settled in cash	203,446
Cash and bank balances in subsidiary acquired	(358)
Cash outflow on acquisition of subsidiary	203,088
Total purchase consideration	203,446
Identifiable net assets acquired	(97,206)
Goodwill (note 19)	106,240

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(i) Acquisition of Shanghai Yitao Sports Culture Communication Co., Ltd* ("Shanghai Yitao") and Guangzhou Starshine Cinema Co., Ltd* ("Guangzhou Starshine")

On 26 August 2016, the Group acquired 70% equity interest in Shanghai Yitao at a cash consideration of RMB20,000,000 to diversify its business. Shanghai Yitao is principally engaged in sports operation. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

On 22 July 2016, the Group acquired 100% equity interest in Guangzhou Starshine at a cash consideration of RMB9,000,000 to diversify its business. Guangzhou Starshine is principally engaged in entertainment operation. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the aggregated consideration paid for the acquisition, the fair value of the assets acquired and liabilities assumed of Shanghai Yitao and Guangzhou Starshine at the acquisition date.

	2016 RMB'000
Property, plant and equipment (note 14)	9,801
Debtors, deposits and other receivables	32,737
Cash and bank balances	1,223
Other payables	(26,347)
Income tax payable	(85)
Net assets	17,329
Less: non-controlling interests	(3,868)
Net assets acquired	13,461
Purchase consideration settled in cash	8,001
Cash and bank balances in subsidiaries acquired	(1,223)
Cash outflow on acquisition of the subsidiaries	6,778
Total purchase consideration	29,000
Identifiable net assets acquired	(13,461)
Goodwill (note 19)	15,539

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

39. 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:

	2017		2016	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**1.908**	**162,498,000**	1.898	178,642,000
Granted during the year	**3.785**	**362,300,000**	–	–
Exercised during the year (note 33)	**1.773**	**(44,176,000)**	–	–
Lapsed during the year	**3.183**	**(10,108,000)**	1.802	(16,144,000)
At 31 December	**3.339**	**470,514,000**	1.908	162,498,000

As at 31 December 2017, 114,114,000 (2016: 133,776,000) outstanding options granted under the Share Option Scheme were exercisable (note).

39. SHARE OPTION (Continued)

Share Option Scheme (Continued)

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

Exercised period	Vesting period	Exercise price per share HK$	Number of share options 2017	2016
10/6/2010-24/4/2022	9/12/2009-9/6/2010	3.105	**5,350,000**	8,250,000
30/3/2011-24/4/2022	9/12/2009-29/3/2011	3.105	**8,250,000**	8,250,000
24/4/2012-24/4/2022	9/12/2009-23/4/2012	3.105	**8,500,000**	8,500,000
23/7/2011-22/7/2020	23/7/2010-22/7/2011	2.000	**3,520,000**	6,620,000
23/7/2012-22/7/2020	23/7/2010-22/7/2012	2.000	**3,520,000**	6,620,000
23/7/2013-22/7/2020	23/7/2010-22/7/2013	2.000	**3,720,000**	6,820,000
23/7/2014-22/7/2020	23/7/2010-22/7/2014	2.000	**4,320,000**	7,420,000
23/7/2015-22/7/2020	23/7/2010-22/7/2015	2.000	**9,137,000**	11,540,000
6/6/2013-5/6/2022	6/6/2012-5/6/2013	1.500	**4,324,000**	7,862,000
6/6/2014-5/6/2022	6/6/2012-5/6/2014	1.500	**5,468,000**	9,250,000
6/6/2015-5/6/2022	6/6/2012-5/6/2015	1.500	**17,847,000**	25,122,000
6/6/2016-5/6/2022	6/6/2012-5/6/2016	1.500	**18,258,000**	25,122,000
6/6/2017-5/6/2022	6/6/2012-5/6/2017	1.500	**18,300,000**	25,122,000
21/2/2015-20/2/2024	21/2/2014-20/2/2015	2.610	**1,200,000**	1,200,000
21/2/2016-20/2/2024	21/2/2014-20/2/2016	2.610	**1,200,000**	1,200,000
21/2/2017-20/2/2024	21/2/2014-20/2/2017	2.610	**1,200,000**	1,200,000
21/2/2018-20/2/2024	21/2/2014-20/2/2018	2.610	**1,200,000**	1,200,000
21/2/2019-20/2/2024	21/2/2014-20/2/2019	2.610	**1,200,000**	1,200,000
19/7/2018-18/7/2027	19/7/2017-18/7/2018	3.550	**61,200,000**	–
19/7/2019-18/7/2027	19/7/2017-18/7/2019	3.550	**61,200,000**	–
19/7/2020-18/7/2027	19/7/2017-18/7/2020	3.550	**61,200,000**	–
19/7/2021-18/7/2027	19/7/2017-18/7/2021	3.550	**122,400,000**	–
22/9/2018-21/9/2027	22/9/2017-21/9/2018	6.660	**4,000,000**	–
22/9/2019-21/9/2027	22/9/2017-21/9/2019	6.660	**4,000,000**	–
22/9/2020-21/9/2027	22/9/2017-21/9/2020	6.660	**4,000,000**	–
22/9/2021-21/9/2027	22/9/2017-21/9/2021	6.660	**8,000,000**	–
29/11/2018-28/11/2027	29/11/2017-28/11/2018	4.370	**5,600,000**	–
29/11/2019-28/11/2027	29/11/2017-28/11/2019	4.370	**5,600,000**	–
29/11/2020-28/11/2027	29/11/2017-28/11/2020	4.370	**5,600,000**	–
29/11/2021-28/11/2027	29/11/2017-28/11/2021	4.370	**11,200,000**	–
			470,514,000	162,498,000

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.

39. SHARE OPTION (Continued)

Share Option Scheme (Continued)

On 19 July 2017, the Company offered to grant to the directors of the Company and certain employees of the Company and its subsidiaries (the "July 2017 Grant") of 64,000,000 and 250,300,000 share options respectively, of HK$0.1 each in the capital of the Company. The Company further granted a director of the Company (the "September 2017 Grant") and (the "November 2017 Grant") of 20,000,000 and 28,000,000 shares options on 22 September 2017 and 29 November 2017 respectively of HK$0.1 each in the capital of the Company.

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

	March 2010 Grant	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant	July 2017 Grant	September 2017 Grant	November 2017 Grant
Fair value under binomial option pricing model	HK$22,355,000	HK$142,362,000	HK$198,688,000	HK$8,514,000	HK$2,592,000	HK$543,168,000	HK$68,887,000	HK$61,987,000
Closing share price at grant date	HK$2.56	HK$1.71	HK$1.39	HK$2.60	HK$2.83	HK$3.55	HK$6.66	HK$4.26
Exercise price	HK$3.105	HK$2.00	HK$1.50	HK$2.61	HK$2.84	HK$3.55	HK$6.66	HK$4.37
Annual risk free interest rate	1.82%-2.33%	2.29%	1.04%	2.30%	1.94%	2.05%	2.01%	2.23%
Expected volatility	40%	40%	44%	45%	43%	42%	43%	44%
Expected option life	5-7 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	Nil	Nil	Nil	6.0%	5.0%	Nil	Nil	Nil

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share option expense of RMB141,281,000 (2016: nil) during the year ended 31 December 2017.

40. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Loans and receivables		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	**11,122,965**	3,208,384
Restricted cash (note 26)	**7,939,574**	5,696,597
Short-term bank deposits (note 27)	**1,232,206**	56,917
Cash and bank balances (note 27)	**11,998,423**	10,819,117
	32,293,168	19,781,015
Available-for-sale financial assets (note 18)	**4,400,796**	167,642
Financial assets at fair value through profit or loss	**96,467**	–

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Liabilities as per consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Other financial liabilities at amortised cost		
Accrued construction costs	**15,170,791**	10,704,790
Borrowings (note 29)	**111,173,187**	87,536,816
Other payables, excluding deed tax and other tax payables	**16,521,886**	7,152,317
	142,865,864	105,393,923
Liabilities at fair value through profit and loss		
Financial derivatives (note 30)	**–**	263,822

41. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholder and founder

Mr. Kwok Ying Shing (a controlling shareholder) and Mr. Kwok Chun Wai (the founder)

A related company, a company controlled by a substantial shareholder of the Company

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

Associates

Shenzhen Qianhai Gold – Earth Wealth Management Co., Ltd.* ("深圳前海金土財富管理有限公司")
Shenzhen Longcheng Plaza Property Development Co., Ltd.* ("深圳市龍城廣場房地產開發有限公司")
Shenzhen Shenxin Financial Holding Co., Ltd.* ("深圳深信金融控股有限公司")
Shenzhen Shenxin Financial Services Co., Ltd.* ("深圳深信金融服務有限公司")
Shenzhen Shenxin Capital Management Co., Ltd.* ("深圳深信資本管理有限公司")
Kaisa United Financial (Beijing) Co., Ltd.* ("佳兆業聯合金控(北京)有限公司")

Joint ventures

Huizhou City Kaileju Company Limited* ("惠州市愷樂居置業有限公司")
Shenzhen Jiaxian Property Development Co., Ltd.* ("深圳市佳賢置業發展有限公司")
Shenzhen Ligao Property Development Company Limited* ("深圳力高宏業地產開發有限公司")

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	2017 RMB'000	2016 RMB'000
Salaries and other short-term employee benefits	**174,880**	44,386
Retirement scheme contributions	**437**	254
Share-based payments	**48,293**	1,892
	223,610	46,532

(c) Transactions

	Notes	2017 RMB'000	2016 RMB'000
Advertising income received from an associate		**9,434**	–
Advisory income received from a joint venture		**15,727**	–
Financial advisory fees paid to an associate		**8,411**	–
Interest income received from associates	i	**32,067**	–
Interest expense paid to a related company	ii	**439,252**	345,240
Interest expense paid to an associate	iii	**21,858**	–
Rental expenses paid to controlling shareholder and a founder	iv	**2,000**	1,943

Note:

(i) Interest income was charged at interest rate of 12% (2016: 12%) per annum on amounts due to associates.

(ii) Interest expense was charged at interest rate of 12% (2016: 12%) per annum on loans from a related company.

(iii) Interest expense was charged at interest rates ranging from 4.35% to 12.5% (2016: nil) per annum on loans from associates.

(iv) This represents payment of rental expense for various office premises to a founder, Mr. Kwok Chun Wai and a controlling shareholder, Mr. Kwok Ying Shing, respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(d) Balances with related parties

	2017 RMB'000	2016 RMB'000
Loans from associates (note 29(e))	**1,227,200**	–
Loans from a related company (note 29(d))	**108,781**	2,877,000
Advertising income from an associate	**9,000**	–
Advisory income from a joint venture	**13,337**	–
Amounts due from associates (note 23)	**20,498**	400,000
Amounts due from joint ventures (note 23)	**879,210**	599,390
Amounts due to associates (note 31)	**(925,721)**	(924,157)
Interest payable to a related company – included in other payables and accruals	**(205,683)**	(222,663)

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

Statement of financial position of the Company as at 31 December 2017

	2017 RMB'000	2016 RMB'000
Non-current assets		
Investments in subsidiaries	**38,897,195**	25,550,718
Available-for-sale financial assets	**218,067**	–
	39,115,262	25,550,718
Current assets		
Deposits and other receivables	**2,005,175**	3,015
Cash and bank balances	**1,244,328**	1,297
	3,249,503	4,312
Current liabilities		
Borrowing	**835,900**	–
Financial derivatives	**–**	263,822
Other payables	**44,905**	77,171
	880,805	340,993
Net current assets/(liabilities)	**2,368,698**	(336,681)
Total assets less current liabilities	**41,483,960**	25,214,037
Non-current liability		
Borrowings	**34,752,933**	20,252,803
Net assets	**6,731,027**	4,961,234
EQUITY		
Share capital (note 33)	**532,865**	450,450
Share premium (note 33)	**6,913,069**	4,253,704
Reserves (note (a))	**(714,907)**	257,080
Total equity	**6,731,027**	4,961,234

Approved and authorised for issue by the Board of Directors on 27 March 2018.

Kwok Ying Shing
Director

Mai Fan
Director

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

Note (a) Reserve movement of the Company

	Share option reserve RMB'000 (note 34(c))	Conversion option reserve RMB'000	(Accumulated losses)/retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	55,328	220,824	(105,412)	170,740
Profit and total comprehensive income for the year	–	–	80,459	80,459
Derecognition of conversion options included in the Convertible Bonds issued in 2010	–	(220,824)	220,824	–
Share-based payment	5,881	–	–	5,881
Share options lapsed	(6,840)	–	6,840	–
Balance at 31 December 2016 and 1 January 2017	54,369	–	202,711	257,080
Loss and total comprehensive loss for the year	–	–	(1,087,716)	(1,087,716)
Issue of shares upon exercise of share options	(25,552)	–	–	(25,552)
Share-based payment	141,281	–	–	141,281
Share options lapsed	(2,126)	–	2,126	–
Balance at 31 December 2017	**167,972**	**–**	**(882,879)**	**(714,907)**

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2017 and 2016 are set out below:

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd. 今盛工程管理諮詢(深圳)有限公司	the PRC, 27 July 2001	HK$714,000,000	**100%**	100%	Property development
Kaisa Urban Redevelopment Group (Shenzhen) Co., Ltd. 佳兆業城市更新集團(深圳)有限公司	the PRC, 26 March 2004	RMB10,000,000	**100%**	100%	Property development
Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司	the PRC, 3 June 1999	RMB2,826,163,980	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	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	the PRC, 15 February 2004	RMB640,000,000	**100%**	100%	Property development
Huizhou Canrong Property Ltd. 惠州燦榮房產公司	the PRC, 14 January 1994	RMB35,926,506	**100%**	100%	Property development
Woodland Height Property (Yingkou) Co., Ltd. 桂芳園地產(營口)有限公司	the PRC, 14 December 2010	RMB495,750,000	**100%**	100%	Property development
Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司	the PRC, 14 December 2010	RMB372,570,000	**100%**	100%	Property development
Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd. 兆瑞景酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	HK$68,300,000	**100%**	100%	Hotel management
Leisure Land Hotel Zhiye Management (Suizhong) Co.,Ltd. 可域酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	RMB144,653,000	**100%**	100%	Hotel management
Zhuzhou Kaisa Zhiye Co., Ltd. 株洲佳兆業置業有限公司	the PRC, 13 January 2011	HK$600,000,000	**100%**	100%	Property development
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	the PRC, 28 December 2010	RMB850,000,000	**100%**	100%	Property development
Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	the PRC, 7 March 2011	HK$210,000,000	**100%**	100%	Property development
Zhuhai Kaisa Property Development Co.,Ltd. 珠海市佳兆業房地產開發有限公司	the PRC, 9 June 2011	RMB518,000,000	**100%**	100%	Property development
Bakai Property Development (Weifang) Co., Ltd. 八凱房地產開發(濰坊)有限公司	the PRC, 22 June 2011	USD50,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
			2017	2016	
Kaisa Property (Wuhan) Co., Ltd. 佳兆業地產(武漢)有限公司	the PRC, 1 July 2011	RMB547,528,247	**100%**	100%	Property development
Kaisa Tourism Development Co., Ltd. 佳兆業旅遊開發有限公司	the PRC, 15 July 2011	HK$93,600,000	**100%**	100%	Property development
Kaisa Property (Suizhong) Co., Ltd. 佳兆業地產(綏中)有限公司	the PRC, 15 July 2011	HK$246,500,000	**100%**	100%	Property development
Kaisa Property (Liaoyang) Co., Ltd. 佳兆業地產(遼陽)有限公司	the PRC, 24 August 2011	USD31,000,000	**100%**	100%	Property development
Anshan Kaisa Commerce Operation Management Co., Ltd. 鞍山佳兆業商業管理有限公司	the PRC, 26 September 2011	USD26,582,581	**100%**	100%	Commerce management
Kaisa Xindu Zhiye (Qingdao) Co., Ltd. 佳兆業新都置業(青島)有限公司	the PRC, 18 February 2013	USD60,000,000	**100%**	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	the PRC, 11 April 1992	RMB98,040,000	**100%**	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	the PRC, 29 January 2007	RMB50,000,000	**100%**	100%	Property development
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理(深圳)有限公司	the PRC, 20 October 1999	RMB310,000,000	**100%**	100%	Property management
Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司	the PRC, 19 July 2004	RMB1,000,000,000	**100%**	100%	Commerce management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	the PRC, 21 March 1997	RMB12,000,000	**100%**	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	the PRC, 27 October 2005	RMB202,500,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
			2017	2016	
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司	the PRC, 6 September 2004	RMB38,000,000	**100%**	100%	Property development
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	the PRC, 3 March 2006	RMB20,000,000	**100%**	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	the PRC, 14 September 2007	RMB1,000,000	**100%**	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	the PRC, 4 July 2008	RMB10,000,000	**80%**	80%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	RMB20,000,000	**100%**	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	the PRC, 4 January 2007	RMB10,000,000	**100%**	100%	Property development
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	the PRC, 22 November 2007	RMB155,000,000	**100%**	100%	Property development
Nanchong Kaisa Property Co., Ltd. 南充市佳兆業房地產有限公司	the PRC, 10 December 2010	RMB10,000,000	**100%**	100%	Property development
Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司	the PRC, 14 December 2010	USD21,056,200	**100%**	100%	Property development
Kaisa Property (Anshan) Co., Ltd. 佳兆業地產(鞍山)有限公司	the PRC, 16 December 2010	USD67,000,000	**100%**	100%	Property development
Shenzhen Henggang Kaisa Investment Consulting Co., Ltd. 深圳市橫崗佳兆業投資諮詢有限公司	the PRC, 3 June 2011	RMB10,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Anshan Junhuishangpin Property Development Co., Ltd. 鞍山君匯上品房地產開發有限公司	the PRC, 28 June 2011	USD24,210,830	**100%**	100%	Property development
Wan Rui Fa Property (Anshan) Co., Ltd. 萬瑞發地產(鞍山)有限公司	the PRC, 28 June 2011	USD19,115,864	**100%**	100%	Property development
Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限公司	the PRC, 21 October 2011	RMB10,000,000	**100%**	100%	Property development
Shanghai Xiangyi Management Consulting Co., Ltd. 上海向益管理諮詢有限公司	the PRC, 3 November 2011	RMB25,000,000	**100%**	100%	Property development
Chongqing Shenlian Investment Co., Ltd. 重慶深聯投資有限公司	the PRC, 22 August 2012	RMB20,000,000	**60%**	60%	Property development
Dongguan Yulongshan Property Development Co., Ltd. 東莞市御龍山房地產開發有限公司	the PRC, 9 April 2013	RMB20,000,000	**100%**	100%	Property development
Chongqing Tanxun Wulianwang Technology Co., Ltd. 重慶談訊物聯網科技有限公司	the PRC, 13 November 2013	RMB10,000,000	**100%**	100%	Property development
Kaisa E-Commerce (Shenzhen) Co., Ltd. 佳兆業電子商務(深圳)有限公司	the PRC, 24 February 2014	RMB20,000,000	**100%**	100%	Property development
Shenzhen no.1 Warehouse Fast Network Co., Ltd. 深圳市一號倉佳速網絡有限公司	the PRC, 9 December 2014	RMB10,000,000	**100%**	100%	Investment holding
Boluo Guifangyuan Real Estate Development Co., Ltd. 博羅縣桂芳園房地產開發有限公司	the PRC, 17 November 2016	RMB10,000,000	**100%**	100%	Property development
Wuhan Haiding Property Co., Ltd. 武漢市海鼎置業有限責任公司	the PRC, 22 November 2002	RMB30,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
			2017	2016	
Shanghai Yuwan Mega Real Estate Development Co., Ltd. 上海裕灣兆業房地產開發有限公司	the PRC, 10 November 2016	RMB30,000,000	**75%**	75%	Property development
Chongqing Xintong Real Estate Development Co., Ltd. 重慶市新事通房地產開發有限公司	the PRC, 27 December 2016	RMB20,000,000	**100%**	100%	Property development
Shenzhen Zhenhua Harbour Enterprise Limited 深圳圳華港灣企業有限公司	the PRC, 3 May 1984	RMB21,000,000	**51%**	51%	Property development
Shenzhen Nanao Hotel Co., Ltd. 深圳市南澳大酒店有限公司	the PRC, 4 September 2000	RMB5,000,000	**100%**	N/A	Property development
Shenzhen Sanlian Kendu Pharmaceutical Co., Ltd. 深圳三聯肯渡製藥股份有限公司	the PRC, 25 September 1995	RMB100,000,000	**70%**	N/A	Property development
Shaoxing Hongjia Housing Co., Ltd. 紹興鴻佳置業有限公司	the PRC, 25 July 2016	RMB30,000,000	**70%**	N/A	Property development
Foshan Jinyue Investment Co., Ltd. 佛山市京粵投資有限公司	the PRC, 15 July 1990	RMB1,500,000	**100%**	N/A	Property development
Guangzhou International Toys and Gift City Co., Ltd. 廣州國際玩具禮品城有限公司	the PRC, 31 October 2003	RMB370,000,000	**90%**	N/A	Property development
Zhuhai Jia Jun Investment Company Limited 珠海市佳駿投資有限公司	the PRC, 18 May 2017	RMB50,000,000	**100%**	N/A	Property development
Hunan Xian Yong Real Estate Development Co., Ltd. 湖南湘永房地產開發有限公司	the PRC, 12 October 2009	RMB408,160,000	**100%**	N/A	Property development
Nanjing Kaisa Jiayu Real Estate Development Company Limited 南京佳兆業佳御房地產開發有限公司	the PRC, 21 July 2017	RMB50,000,000	**100%**	N/A	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Xinzheng Henderson Real Estate Development Company Limited 新鄭市佳兆業房地產開發有限公司	the PRC, 14 July 2017	RMB400,000,000	**100%**	N/A	Property development
Suzhou Tongjia Real Estate Development Co., Ltd. 蘇州市同佳房地產開發有限公司	the PRC, 17 July 2017	RMB50,000,000	**100%**	N/A	Property development
Zhongshan Real Estate Development Co., Ltd. Tomizawa 中山富澤房地產開發有限公司	the PRC, 17 March 2015	RMB10,000,000	**80%**	N/A	Property development
Hangzhou Jiaxin Zhiye Co., Ltd. 杭州佳欣置業有限公司	the PRC, 18 September 2017	RMB4,093,000	**100%**	N/A	Property development
Hangzhou Wance Zhiye Co., Ltd. 杭州萬冊置業有限公司	the PRC, 11 August 2017	RMB50,000,000	**100%**	N/A	Property development
Hunan Ding Cheng Da Real Estate Development Co., Ltd. 湖南鼎誠達房地產開發有限公司	the PRC, 26 September 2012	RMB100,000,000	**100%**	N/A	Property development
Zhongshan Fugang Real Estate Development Co., Ltd 中山富港房地產開發有限公司	the PRC, 16 March 2017	RMB150,600,000	**80%**	N/A	Property development
Jiashan Shangwan Real Estate Development Co., Ltd. 嘉善尚灣房地產開發有限公司	the PRC, 13 October 2017	RMB8,000,000	**100%**	N/A	Property development
Shenzhen Woodland Height Shiye Co., Ltd. 深圳市桂芳園實業有限公司	the PRC, 13 October 2003	RMB500,000,000	**100%**	100%	Property development
Huizhou Jinhu Property Development Co., Ltd. 惠州市金湖房地產有限公司	the PRC, 26 March 1993	RMB100,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	the PRC, 14 November 2006	RMB204,680,000	**100%**	100%	Property development
Chengdu Nanxing Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	the PRC, 5 November 2004	RMB420,000,000	**100%**	100%	Property development
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司	the PRC, 12 July 2007	RMB10,000,000	**100%**	100%	Property development
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司	the PRC, 21 August 2007	RMB220,000,000	**100%**	100%	Property development
Shenzhen Dapeng Kaisa Property Development Co., Ltd. 深圳市大鵬佳兆業房地產開發有限公司	the PRC, 17 November 2000	RMB100,000,000	**100%**	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	RMB20,000,000	**100%**	100%	Property development
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司	the PRC, 19 July 2007	RMB1,000,000,000	**100%**	100%	Construction engineering
Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	the PRC, 29 January 1999	RMB10,000,000	**100%**	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. 上海新灣投資發展有限公司	the PRC, 17 January 2007	RMB35,000,000	**100%**	100%	Property development
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	the PRC, 29 August 2007	RMB60,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Boluo Kaisa Real Estate Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	the PRC, 2 June 2008	RMB10,000,000	**100%**	100%	Property development
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	the PRC, 2 June 2008	RMB10,000,000	**100%**	100%	Property development
Shenzhen Golden Bay Hotel Co., Ltd. 深圳市金沙灣大酒店有限公司	the PRC, 17 June 1997	RMB50,000,000	**100%**	100%	Hotel management
Leisure Land Hotel Property Management Jiangyin Co., Ltd. 可域酒店置業管理江陰有限公司	the PRC, 15 October 2009	RMB150,000,000	**100%**	100%	Property development
Shenzhen Tianlian Industry Development Co., Ltd. 深圳市天利安實業發展有限公司	the PRC, 4 September 2002	RMB46,000,000	**100%**	100%	Property development
Jiangsu Kaisa Investment Co.,Ltd. 江蘇佳兆業投資有限公司	the PRC, 18 May 2010	RMB15,000,000	**100%**	100%	Property development
Baoji Crafts (Shenzhen) Co.,Ltd. 寶吉工藝品(深圳)有限公司	the PRC, 28 December 1988	RMB877,725,000	**100%**	100%	Property development
Jiangyin Washington Waterfront Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	the PRC, 10 December 2010	RMB20,000,000	**100%**	100%	Property development
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	the PRC, 7 January 2010	RMB260,000,000	**100%**	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	the PRC, 22 February 2011	RMB20,000,000	**100%**	100%	Property development
Foshan Shunde Ideal City Real Estate Investment Co.,Ltd. 佛山市順德區理想城房地產投資有限公司	the PRC, 9 October 2010	RMB775,510,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	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	the PRC, 18 March 2011	RMB120,000,000	**100%**	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	the PRC, 19 April 2011	RMB800,000,000	**100%**	100%	Property development
Kaisa Dai River East Property Development Co.,Ltd. 佳兆業東戴河房地產開發有限公司	the PRC, 6 July 2011	RMB50,000,000	**100%**	100%	Property development
Hunan Mingtai Zhiye Development Co., Ltd. 湖南明泰置業發展有限公司	the PRC, 12 October 2000	RMB310,000,000	**100%**	100%	Property development
Shenzhen YueFeng Investment Co., Ltd. 深圳市悦峰投資有限公司	the PRC, 25 April 2012	RMB100,000,000	**100%**	100%	Property development
Guangzhou Yaxiang Property Development Co., Ltd. 廣州市雅翔房地產開發有限公司	the PRC, 7 May 2012	RMB918,370,000	**100%**	100%	Property development
Taizhou Kaisa Jiangshan Property Development Co., Ltd. 泰州佳兆業江山房地產開發有限公司	the PRC, 30 December 2011	RMB50,000,000	**100%**	100%	Property development
Kaisa Property (Shanghai) Co., Ltd. 佳兆業地產(上海)有限公司	the PRC, 17 July 2012	RMB30,000,000	**100%**	100%	Property development
Wuhan Kaisa Investment Co., Ltd. 武漢市佳兆業投資有限公司	the PRC, 13 July 2012	RMB250,000,000	**100%**	100%	Property development
Shanghai Jinwan Zhaoye Property Development Co., Ltd. 上海金灣兆業房地產開發有限公司	the PRC, 2 August 2012	RMB30,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Jiangyin Binjiangyayuan Property Development Co., Ltd. 江陰濱江雅園房地產開發有限公司	the PRC, 14 September 2012	RMB20,000,000	**100%**	100%	Property development
Dalian Huapu Zhiye Co., Ltd. 大連華普置業有限公司	the PRC, 9 December 2009	RMB100,000,000	**100%**	100%	Property development
Shanghai Jiawan Zhaoye Property Co., Ltd. 上海嘉灣兆業房地產有限公司	the PRC, 24 December 2012	RMB30,000,000	**100%**	100%	Property development
Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd. 佳兆業文化體育(深圳)有限公司	the PRC, 25 January 2013	RMB72,000,000	**90%**	90%	Commerce management
Kaisa Property (Hangzhou) Co., Ltd. 佳兆業房地產(杭州)有限公司	the PRC, 6 March 2013	RMB40,820,000	**100%**	100%	Property development
Chengdu Tianjia Zhiye Co., Ltd. 成都天佳置業有限公司	the PRC, 19 April 2013	RMB200,000,000	**100%**	100%	Property development
Shenzhen Jiawangji Property Development Co., Ltd. 深圳市佳旺基房地產開發有限公司	the PRC, 5 February 2010	RMB50,000,000	**70%**	70%	Property development
Guangzhou Jiayu Property Development Co., Ltd. 廣州市佳宇房地產開發有限公司	the PRC, 21 May 2013	RMB50,000,000	**100%**	100%	Property development
Guangzhou Jiarui Property Development Co., Ltd. 廣州市佳瑞房地產開發有限公司	the PRC, 5 June 2013	RMB200,000,000	**100%**	100%	Property development
Wuhan Junhui Property Development Co., Ltd. 武漢市君匯房地產開發有限公司	the PRC, 20 May 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Yingwan Zhaoye Property Development Co., Ltd. 上海贏灣兆業房地產有限公司	the PRC, 20 June 2013	RMB50,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Shanghai Rongwan Zhaoye Property Development Co., Ltd. 上海榮灣兆業房地產開發有限公司	the PRC, 17 October 2013	RMB30,000,000	**100%**	100%	Property development
Wan Tai Chang Property Development (Suizhong) Co., Ltd. 萬泰昌房地產開發(綏中)有限公司	the PRC, 15 October 2013	HK$428,999,750	**100%**	100%	Property development
Hangxilongye Property (Hangzhou) Co., Ltd. 杭溪隆業房地產(杭州)有限公司	the PRC, 26 June 2013	RMB98,000,000	**100%**	100%	Property development
Shanghai Chengwan Zhaoye Property Development Co., Ltd. 上海誠灣兆業房地產有限公司	the PRC, 2 August 2013	RMB58,820,000	**100%**	100%	Property development
Hunan Daye Property Development Co., Ltd. 湖南達業房地產開發有限公司	the PRC, 9 August 2013	RMB100,000,000	**100%**	100%	Property development
Chongqing Kaisa Property Development Co., Ltd. 重慶佳兆業房地產開發有限公司	the PRC, 13 November 2013	RMB946,675,000	**100%**	100%	Property development
Guanzhou Zhaochang Property Development Co., Ltd. 廣州市兆昌房地產開發有限公司	the PRC, 21 June 2013	RMB30,000,000	**100%**	100%	Property development
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	the PRC, 15 September 2006	RMB20,000,000	**100%**	100%	Property development
Fenglong Group Co., Ltd. 豐隆集團有限公司	the PRC, 29 October 1993	RMB168,000,000	**100%**	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	the PRC, 14 January 1994	HK$256,026,685	**100%**	100%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	the PRC, 24 March 2008	USD90,000,000	**100%**	100%	Property development
Kaisa Real Estate Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	the PRC, 15 October 2009	RMB450,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	Percentage of attributable equity interest 2016	Principal activities
Kaisa Real Estate (Liaoning) Co., Ltd. 佳兆業地產(遼寧)有限公司	the PRC, 28 January 2010	RMB1,086,670,000	**100%**	100%	Property development
Kaisa Commerce Property Management (Panjin) Co., Ltd. 佳兆業商業置業管理(盤錦)有限公司	the PRC, 16 March 2011	USD61,660,000	**100%**	100%	Property development
Shenzhen Zhengchangtai Investment Consulting Co., Ltd. 深圳市正昌泰投資諮詢有限公司	the PRC, 13 June 2007	RMB10,000,000	**100%**	100%	Property development
Kaisa Computer Technology Development Co., Ltd 佳兆業計算機技術開發(深圳)有限公司	the PRC, 26 October 2001	HK$2,000,000	**100%**	100%	Commerce management
Kaisa Holdings Limited 佳兆業集團有限公司	HK, 16 July 1999	HK$10,000	**100%**	100%	Property development
Beijing Jinmao Caixun Xinci Co., Ltd. 北京金貿財迅資訊有限公司	the PRC, 5 December 2005	RMB24,400,000	**100%**	100%	Commerce management
Dong Sheng Investment Company Limited 東升投資有限公司	BVI, 25 July 2007	USD1	**100%**	100%	Investment holding
Rui Jing Investment Company Limited 瑞景投資有限公司	BVI, 23 July 2007	HK$1	**100%**	100%	Investment holding
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業(惠州)道路建設發展有限公司	the PRC, 2 February 2008	USD40,000,000	**100%**	100%	Commerce management
Tai An Da Investment Company Limited 泰安達投資有限公司	BVI, 2 March 2010	USD2	**100%**	100%	Investment holding
Wan Rui Fa Investment Company Limited 萬瑞發投資有限公司	HK, 2 March 2010	HK$10,000	**100%**	100%	Investment holding

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Tai He Sheng Investment Company Limited 泰和盛投資有限公司	BVI, 2 March 2010	USD1	**100%**	100%	Investment holding
Tai Chong Li Investment Company Limited 泰昌利投資有限公司	BVI, 2 March 2010	USD1	**100%**	100%	Investment holding
Wan Jin Chang Investment Limited 萬晉昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Wan Rui Chang Investment Company Limited 萬瑞昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Wan Tai Chang Investment Company Limited 萬泰昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Shenzhen Kaisa hotel Management Co., Ltd. 深圳市佳兆業酒店管理有限公司	the PRC, 15 September 2010	RMB110,750,000	**100%**	100%	Hotel management
Hong Kong Kaisa Industry Co.,Limited 香港佳兆業實業有限公司	HK, 24 November 2010	USD1,000	**100%**	100%	Investment holding
Changzhou Kaisa Property Development Co., Ltd. 常州佳兆業房地產開發有限公司	the PRC, 8 December 2010	RMB506,958,095	**100%**	100%	Property development
Sunny Sino Investments Limited 熙華投資有限公司	HK, 21 September 2011	USD1	**100%**	100%	Investment holding
Xifeng Management Consulting (Shenzhen) Co,. Ltd. 熙豐管理諮詢(深圳)有限公司	the PRC, 17 November 2011	RMB1,000,000	**100%**	100%	Commerce management
Shenzhen Denghong Management Consulting Co., Ltd. 深圳市德弘管理諮詢有限公司	the PRC, 8 November 2011	RMB500,000,000	**100%**	100%	Commerce management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Action Enrich Limited 行裕有限公司	BVI, 2 May 2012	USD1,000	**100%**	100%	Investment holding
Chengdu Dingchengda Property Development Co., Ltd. 成都市鼎誠達房地產開發有限公司	the PRC, 6 July 2012	RMB10,000,000	**80%**	80%	Property development
Zuobo Management Consulting (Shenzhen) Co., Ltd. 佳兆業左博置業(深圳)有限公司	the PRC, 21 August 2012	RMB20,000,000	**100%**	100%	Property development
Wan Rui Chang Property Development (Suizhong) Co., Ltd. 萬瑞昌房地產開發(綏中)有限公司	the PRC, 1 August 2012	HK$244,000,000	**100%**	100%	Property development
Kaisa Property (Dandong) Co., Ltd. 佳兆業地產(丹東)有限公司	the PRC, 30 October 2012	USD50,500,000	**100%**	100%	Property development
Shenzhen Cixiang Kaisa Property Development Co., Ltd. 深圳市西鄉佳兆業房地產開發有限公司	the PRC, 27 May 2013	RMB50,000,000	**100%**	100%	Property development
Splendid Maple Limited 燁楓有限公司	BVI, 21 May 2013	USD10,000	**100%**	100%	Investment holding
Huidong Kaisa Property Development Limited 惠東縣佳兆業房地產開發有限公司	the PRC, 13 February 2014	RMB50,000,000	**100%**	100%	Property development
Suzhou Kaisa Property Development Co., Ltd. 蘇州市佳兆業房地產開發有限公司	the PRC, 20 February 2014	RMB196,000,000	**100%**	100%	Property development
Suzhou Kaisa Shangpin Property Development Co., Ltd. 蘇州市佳兆業上品房地產開發有限公司	the PRC, 21 February 2014	RMB98,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Chengdu Jincheng Jiaye Property Development Co., Ltd. 成都錦城佳業房地產開發有限公司	the PRC, 24 February 2014	RMB10,000,000	**100%**	100%	Property development
Nanjing Aoxin Property Development Co., Ltd. 南京奧信房地產開發有限公司	the PRC, 11 November 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Qingwan Zhaoye Property Development Co., Ltd. 上海青灣兆業房地產開發有限公司	the PRC, 21 August 2014	RMB50,000,000	**100%**	100%	Property development
Chengdu Jinxinrui Property Development Co., Ltd. 成都市錦新瑞房地產開發有限公司	the PRC, 7 November 2012	RMB50,000,000	**100%**	100%	Property development
Shenzhen Chuangzhan Hotel Development Co., Ltd. 深圳市創展酒店發展有限公司	the PRC, 12 June 2012	RMB10,000,000	**51%**	51%	Property development
Shenzhen Guanyang Property Development Co., Ltd. 深圳冠洋房地產有限公司	the PRC, 5 June 2009	RMB100,000,000	**51%**	51%	Property development
Shenzhen Jielingzixun Co., Ltd. 深圳市傑領信息諮詢有限公司	the PRC, 3 November 2014	RMB1,000,000	**100%**	100%	Commerce management
Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited") 佳兆業健康集團控股有限公司 （前稱美加醫學科技有限公司）	Bermuda, 23 January 1997	HK$6,377,000	**41.24%**	N/A	Investment holding

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiaries	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income/(losses) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Shenzhen Marine and its subsidiaries ("Shenzhen Marine Group") (note 1)	the PRC	**30%**	30%	**39,326**	27,739	**10,237,698**	10,198,372
Kaisa Health Group (note 2)	Bermuda	**58.76%**	N/A	**(7,029)**	N/A	**629,046**	N/A

Note:

1. As at 31 December 2017, the Group held 70% (2016: 70%) equity interest in Shenzhen Marine, which indirectly held 51% (2016: 51%) equity interest in Shenzhen Zhenhua Harbour Enterprise Limited*.

2. Kaisa Health Group is listed on the Stock Exchange. Although the Group had only 41.24% ownership in Kaisa Health Group, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities on the basis of the Group's absolute size of shareholding and the relevant size and dispersion of the shareholdings owned by the other shareholders. The remaining 58.76% owenership are owned by thousands of shareholders that are unrelated to the Group, none of individually holding more than 10%.

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests as set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2017		2016
	Kaisa Health Group RMB'000	**Shenzhen Marine Group RMB'000**	Shenzhen Marine Group RMB'000
Current assets	**569,541**	**16,343,660**	16,175,854
Non-current assets	**647,603**	**563,193**	475,459
Current liabilities	**(47,455)**	**(625,621)**	(467,457)
Non-current liabilities	**(99,154)**	**(187,948)**	(220,535)
Equity	**1,070,535**	**16,093,284**	15,963,321
Equity attributable to owners of the Company	**441,489**	**5,855,586**	5,764,949
Equity attributable to non-controlling interests	**629,046**	**10,237,698**	10,198,372

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

	Kaisa Health Group since acquisition to 31 December 2017 RMB'000	**Shenzhen Marine Group for the year ended 31 December 2017 RMB'000**	Shenzhen Marine Group since acquisition to 31 December 2016 RMB'000
Revenue	**15,123**	**553,056**	222,195
(Loss)/Profit for the period/year	**(3,831)**	**140,637**	92,463
Other comprehensive loss for the period/year	**(8,131)**	**(15,983)**	–
Total comprehensive (loss)/income attributable to owners of the Company	**(4,933)**	**85,328**	64,724
Total comprehensive (loss)/income attributable to the non-controlling interests	**(7,029)**	**39,326**	27,739
Total comprehensive (loss)/income for the period/year	**(11,962)**	**124,654**	92,463
Net cash from operating activities	**5,958**	**157,045**	196,900
Net cash used in investing activities	**(13,523)**	**(335,695)**	(52,318)
Net cash from/(used in) financing activities	**508,611**	**46,299**	(105,410)
Net cash inflow/(outflow)	**501,046**	**(132,351)**	39,172

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	**2,551,580**	1,087,064	760,171	848,179	579,528
Investment properties	**32,025,830**	30,690,680	20,738,703	16,256,160	9,595,200
Land use rights	**395,815**	163,178	162,942	169,228	165,342
Investments in associates	**5,284,835**	1,331,121	783,175	778,461	–
Investments in joint ventures	**6,818,118**	931,751	–	–	–
Available-for-sale financial assets	**4,400,796**	154,538	–	–	–
Debtors, deposits and other receivables	**823,860**	–	–	–	–
Goodwill and intangible assets	**1,206,237**	217,798	–	–	–
Long-term bank deposits	**–**	–	1,479	64,695	–
Convertible bonds receivable	**41,328**	–	–	–	–
Deferred tax assets	**9,699**	26,543	32,207	58,824	197,560
	53,558,098	34,602,673	22,478,677	18,175,547	10,537,630
Current assets					
Properties under development	**68,066,413**	60,559,839	63,861,735	69,335,835	46,416,918
Completed properties held for sale	**18,170,966**	16,246,233	17,663,012	11,320,631	6,192,231
Inventories	**2,714**	–	–	–	–
Available-for-sale financial assets	**–**	13,104	10,000	56,823	–
Deposits for land acquisition	**21,422,522**	17,693,750	4,002,386	3,776,684	9,662,066
Prepayments for proposed development projects	**15,925,608**	13,620,415	10,566,950	9,617,786	4,025,563
Other assets	**–**	–	–	–	3,358,856
Debtors, deposits and other receivables	**14,124,677**	5,786,042	5,357,835	3,697,214	3,270,459
Prepaid taxes	**850,499**	727,280	298,157	262,507	197,760
Financial derivatives	**–**	–	–	627	51,450
Restricted cash	**7,939,574**	5,696,597	969,403	1,078,291	1,676,463
Financial assets at fair value through profit or loss	**96,467**	–	–	–	–
Short-term bank deposits	**1,232,206**	56,917	13,974	189,860	263,723
Cash and bank balances	**11,998,423**	10,819,117	2,324,546	3,131,154	6,765,970
	159,830,069	131,219,294	105,067,998	102,467,412	81,881,459

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Advance proceeds received from customers and deposits received	**29,564,933**	27,973,395	14,524,168	15,771,087	13,844,861
Accrued construction costs	**15,170,791**	10,704,790	14,591,720	14,118,865	8,020,540
Income tax payable	**5,649,679**	4,440,460	3,989,909	3,879,450	2,817,056
Borrowings	**22,173,037**	7,762,301	33,713,019	61,256,102	45,446,443
Financial derivatives	**–**	263,822	–	34,735	–
Other payables	**17,315,611**	7,652,852	5,959,975	4,459,886	2,731,964
	89,874,051	58,797,620	72,778,791	99,520,125	72,860,864
Net current assets	**69,956,018**	72,421,674	32,289,207	2,947,287	9,020,595
Total assets less current liabilities	**123,514,116**	107,024,347	54,767,884	21,122,834	19,558,225
Non-current liabilities					
Borrowings	**89,000,150**	79,774,515	38,405,150	4,466,896	1,913,250
Other payables	**104,171**	–	–	–	–
Deferred tax liabilities	**4,411,645**	4,203,433	3,163,089	2,206,959	1,300,266
	93,515,966	83,977,948	41,568,239	6,673,855	3,213,516
Net assets	**29,998,150**	23,046,399	13,199,645	14,448,979	16,344,709
EQUITY					
Share capital	**532,865**	450,450	450,450	450,450	434,139
Share premium	**6,913,069**	4,253,704	4,253,704	4,253,704	3,861,789
Reserves	**11,641,988**	8,241,973	8,845,390	9,958,817	11,969,010
Equity attributable to owners of the Company	**19,087,922**	12,946,127	13,549,544	14,662,971	16,264,938
Non-controlling interests	**10,910,228**	10,100,272	(349,899)	(213,992)	79,771
Total equity	**29,998,150**	23,046,399	13,199,645	14,448,979	16,344,709

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**32,779,347**	17,771,517	10,926,535	19,600,176	19,523,056
Cost of sales	**(23,845,129)**	(15,459,546)	(10,583,158)	(16,729,262)	(13,152,594)
Gross profit	**8,934,218**	2,311,971	343,377	2,870,914	6,370,462
Other losses, net	**(123,454)**	(560,512)	(216,339)	(1,742,408)	(428,681)
Selling and marketing costs	**(896,012)**	(842,695)	(559,419)	(798,518)	(861,877)
Administrative expenses	**(2,501,232)**	(1,745,262)	(1,066,169)	(1,170,986)	(952,013)
Changes in fair value of investment properties	**2,088,849**	4,161,371	3,824,520	3,626,772	728,712
Changes in fair value of financial derivatives	**(969,204)**	(21,500)	(42,219)	(85,772)	51,450
Loss arising from the Incident	**–**	–	–	(482,736)	–
Loss on step acquisition of a subsidiary	**(146,258)**	–	–	–	–
Operating profit	**6,386,907**	3,303,373	2,283,751	2,217,266	4,908,053
Share of results of associates	**31,685**	(40,578)	(3,586)	(634)	–
Share of results of joint ventures	**37**	8,223	–	–	–
Finance income	**1,486,084**	39,236	10,717	25,039	317,519
Finance costs	**(1,238,286)**	(2,159,602)	(2,117,161)	(775,804)	(741,303)
Finance income/(costs) – net	**247,798**	(2,120,366)	(2,106,444)	(750,765)	(423,784)
Gain on extinguishment of financial liabilities	**–**	716,143	–	–	–
Profit before income tax	**6,666,427**	1,866,795	173,721	1,465,867	4,484,269
Income tax expenses	**(3,622,579)**	(2,214,306)	(1,428,205)	(2,765,935)	(2,293,213)
Profit/(Loss) for the year	**3,043,848**	(347,511)	(1,254,484)	(1,300,068)	2,191,056
Other comprehensive loss, including reclassification adjustments item that may be classified subsequently to profit or loss:					
Changes in fair value of available-for-sale financial assets, net of tax	**–**	(210)	–	–	–
Exchange differences on translation of foreign operations	**(6,387)**	–	–	–	–
Other comprehensive loss for the year, including reclassification adjustments	**(6,387)**	(210)	–	–	–
Total comprehensive income/(loss) for the year	**3,037,461**	(347,721)	(1,254,484)	(1,300,068)	2,191,056
Profit/(Loss) for the year attributable to:					
Owners of the Company	**3,284,889**	(612,380)	(1,121,577)	(1,287,484)	2,174,639
Non-controlling interests	**(241,041)**	264,869	(132,907)	(12,584)	16,417
	3,043,848	(347,511)	(1,254,484)	(1,300,068)	2,191,056
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company	**3,283,297**	(612,590)	(1,121,577)	(1,287,484)	2,174,639
Non-controlling interests	**(245,836)**	264,869	(132,907)	(12,584)	16,417
	3,037,461	(347,721)	(1,254,484)	(1,300,068)	2,191,056

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

www.kaisagroup.com