



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



INTERIM REPORT 2018

^{*} For identification purposes only

CONTENTS

- 2 Corporate Information
- 4 Chairman's Statement
- 8 Management Discussion and Analysis
- 16 Project Portfolio
- 36 Disclosure of Interests
- 40 Independent Review Report
- 41 Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
- 43 Condensed Consolidated Interim Statement of Financial Position
- 45 Condensed Consolidated Interim Statement of Changes in Equity
- 46 Condensed Consolidated Interim Statement of Cash Flows
- 47 Notes to the Condensed Consolidated Interim Financial Information
- 101 Other Information



CORPORATE INFORMATION

DIRECTORS

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. YU Kwok Leung

REGISTERED OFFICE

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HEADQUARTERS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKERS

Bank of China Limited
Industrial and Commercial Bank of China Limited
Ping An Bank Company Limited
China Citic Bank Corporation Limited

LEGAL ADVISERS

As to Hong Kong and U.S. law:

Sidley Austin

As to PRC law:

King & Wood Mallesons

As to Cayman Islands law:

Harney Westwood & Riegels

AUDITORS

Grant Thornton Hong Kong Limited

LISTING INFORMATION

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

COMPANY'S WEBSITE

<http://www.kaisagroup.com>

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 present the results of the Group for the six months ended 30 June 2018 together with the comparative figures for the previous corresponding period.

RESULTS AND DIVIDEND

For the period under review, the Group's revenue and gross profit amounted to approximately RMB15,027.8 million and RMB4,736.5 million, representing significant increases of approximately 75.0% and 65.7% over the corresponding period of last year, respectively. Profit attributable to owners of the Company and basic earnings per share amounted to approximately RMB1,704.1 million and RMB28.1 cents, respectively.

The Board recommended the payment of an interim dividend of HK3 cents per share for the six months ended 30 June 2018 (30 June 2017: nil). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting.

BUSINESS REVIEW

The Property Market and Policies

In the first half of 2018, against the backdrop of Federal Reserve's rate hike and balance-sheet reduction, global liquidity conditions continued to tighten. The US-initiated trade war has largely reduced the export volume from countries including China and EU member states, pulling down the economic growth of China, US, and even that of the world. The Chinese government expanded domestic demand and consumption to boost the economic growth. During the period, the overall economy in China continued its steady and upward trend, with a GDP of RMB41.9 trillion, representing a growth of 6.8% over the same period last year. The growth of investment in fixed assets continued to fall as consumption became a main driving force to support China's economic growth. Contribution of the service sector to the economic growth increased gradually and further supported China's economy in pursuit of high quality development.

During the period, upholding the principle of "houses are for living in, not for speculation", the domestic property market entered a new stage of development. Local governments, on one hand, proactively curbed irrational demand by various regulatory measures and, on the other hand, secured effective supply and adjusted the mid-to-long-term supply structure of the property market through the introduction of housing development planning and mid-to-long term plan for land supply. According to the data from the National Bureau of Statistics, the gross floor area ("**GFA**") of commodity properties sold amounted to 771.43 million square meters ("**sq. m.**") in the first half of 2018, representing a growth of 3.3% as compared to the same period last year, while the growth rate decreased by 12.8 percentage points year on year; transaction value of commodity properties aggregated to RMB6.69 trillion, representing a growth of 13.2% as compared to the same period last year, while the growth rate decreased by 8.3 percentage points year on year.

Meanwhile, the Chinese government made strenuous efforts in financial deleveraging during the period to prevent and mitigate financial risks. Under this guiding principle, financing activities in the domestic real estate market are in better compliance with the regulations, and gradual changes were seen in financing threshold and structure. During the first half of 2018, mortgage loan increased by RMB3.54 trillion, and as a proportion of all loans for the period decreased by 1.9 percentage points as compared to the previous year.

Contracted Sales

In face of the current policy and market environment, the Group adhered to the "cash is king" principle and regarded "quick turnover" as the main goal of its operation in the course of land bidding, development and construction, and project launch. Through focusing on mainstream products in the market, the Group efficiently integrated resources and realised the goal of "quick investment, quick development and quick sales".

For the six months ended 30 June 2018, the Group achieved an aggregate contracted sales of approximately RMB25.32 billion, representing an increase of 12.7% as compared with the same period last year; and an average contracted selling price of approximately RMB17,880 per sq. m., representing an increase of 10.6% as compared with the same period last year. Benefitted from the Group's efforts in penetrating the Guangdong-Hong Kong-Macao Greater Bay Area (the "Bay Area") over the years, contracted sales of this area contributed 55% to the Group's total contracted sales for the period, of which, Shenzhen accounted for 37%.

Given the Group's investment and development strategy of focusing on first-tier and major second-tier cities, the total contracted sales for the period were almost equally divided between the first-tier cities and major second-tier cities. In the first-tier cities, Shenzhen Kaisa Future City, Shenzhen Kaisa City Plaza, and Guangzhou Kaisa City Plaza achieved outstanding sales performance. In particular, according to data from the Shenzhen Centaline Research Centre (深圳中原研究中心), with 650 units sold, Shenzhen Kaisa Future City ranked first in Longgang District and second in Shenzhen in terms of total units sold in the first half of 2018. In addition, in the major second-tier cities where the Group has already set up a presence, Nanjing Kaisa City Plaza, Chengdu Kaisa Mansion No.8, and Changsha Kaisa Meixi Lake Project also maintained positive sales momentum.

Land Bank

As at 30 June 2018, the Group has established footholds in 43 cities in five major city clusters. In addition to the first- and major second-tier cities, the Group also proactively explores opportunities in the neighboring cities with good prospects of economic growth, support from population and industries, and capability to meet the spillover demand from the first- and major second-tier cities. During the period, through land bidding, auction, listing and acquisition, the Group has, for the first time, entered Yangjiang in Guangdong, Xuzhou and Zhangjiagang in Jiangsu, Ningbo in Zhejiang, Gu'an and Bazhou in Hebei, Hengyang in Hunan, and Pengzhou in Sichuan, to seize the opportunities brought by the development of lower-tier cities.

In addition to land bidding, auction and listing, and acquisition, the Group's urban redevelopment business also provided the Company with stable and high quality project resources. During the period, land supplies from the Dongmen Road Project in Luohu District, Shenzhen, Guangdong and Phase III of Lake View Wardolf Garden in Xiangzhou District, Zhuhai, Guangdong have been in place, laying a solid foundation for the Group's future sales. In addition, Shenzhen Pinghu Kaisa Plaza and Shenzhen Yantian City Plaza, the redevelopment projects under construction, have been making steady progress. It is expected that these projects will be launched in the second half of this year.

During the period, the Group acquired a total of 14 parcels of land at an aggregate consideration of approximately RMB5,371.5 million, with an attributable capacity building area of approximately 1,088,772 sq. m., of which the majority of the lands were located in the Bay Area and the Yangtze River Delta, and the average project acquisition cost was approximately RMB4,934 per sq. m..

In terms of land bank, as at the end of June 2018, the Group's land bank amounted to 22.2 million sq. m., of which 57.0% was located in the Bay Area.

Financing and Capital Market Management

In the first half of 2018, mortgage lending environment remained tight as the government introduced tight restrictions on trust loan, bank loan, and entrusted loan, meanwhile the National Development and Reform Commission and the Ministry of Finance made a joint announcement that stipulates the use of proceeds from offshore bond issuances. All of these measures imposed a higher financing requirement for real estate enterprises.

In view of this, the Group has regarded sales proceeds as one of the important assessment indicators in determining its operating direction for the year, ensuring that the collections of down payment and mortgage payment are at manageable levels, speeding up the collection of sales proceeds, and increasing the capital turnover rate. Meanwhile, leveraging on its own premium project resources, the Group strived to secure capital funding from traditional domestic financing channels, laying the foundation for project re-financing.

The Group also strives to expand its financing channels domestically and abroad to reduce finance costs. During the period, the Group was granted an "AA+" credit rating with a "Stable" rating outlook by China Chengxin Securities Credit Rating Co., Ltd., an authoritative rating agency in China. This rating has laid a foundation for the Group's expansion of domestic financing channels. As for the offshore market, thanks to the Group's forward-looking measures for offshore debt management and optimisation of debt structure, the Group is under low pressure from the repayment of short-term offshore debt, which helps the Group steer through the current tight credit environment.

The Group has good progress in fulfilling its goal of deleveraging, which is shown by our improved key financial ratios. The Group repurchased US\$108.0 million 8.5% senior notes due 2022 and US\$67.5 million 9.375% senior notes due 2024 from the public market in May and June 2018, reflecting its positive debt management.

As at 30 June, 2018, the Group's cash and bank deposits amounted to approximately RMB26,286.5 million, improving significantly as compared with the end of 2017.

In addition, following its inclusion as a constituent of Hang Seng Composite LargeCap & MidCap Index in March 2018, the Group was included as a constituent of Hang Seng Stock Connect Big Bay Area Composite Index in May 2018, indicating that the Group's outstanding business performance in the Bay Area has received wide attention and recognition from the market.

Prospects

Looking ahead to the second half of this year, global political and economic instabilities could derail the stability of China's economic growth. At the Chinese Communist Party's Politburo meeting held in late July, the Central government pledged to support stable economic and social development in the second half of 2018, deepen supply-side structural reforms and maintain its economic growth within a reasonable range. Meanwhile, the Central government will stay committed to implementing active fiscal policy and prudent monetary policy so as to keep liquidity at a reasonable and sufficient level. It is expected that China will continue to optimise leverage structure through reinforcing "tight credit" and "easing monetary policy" measures.

For the real estate market, it is expected that the housing prices in different tier cities will show divergent trends. In the first- and major second-tier cities, the rise in housing price will flatten out under the strict implementation of regulatory policies on all types of properties; in the third- and fourth-tier cities, the real estate market will continue to grow slowly on the back of demand from short-term investment.

In light of the operating environment, the Group will accelerate the capital turnover throughout its operation processes of project development and sales and acquire premium projects with good development potential through joint development and other means. Meanwhile, with the foundation underpinned by adhering to high product quality, the Group will speed up the implementation of standardisation to enhance its development efficiency. The Group will flexibly adjust its sales pace and rhythm based on the condition in various markets to accelerate collection of sales proceeds.

As for land bank replenishment, the Group will keep paying attention to the development opportunities in the Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei, Central China, and Western China, and replenish its land bank through a wide range of means such as joint development, land bidding, auction, listing, and urban redevelopment. It is expected that certain urban redevelopment projects in Shenzhen, Guangzhou and Shanghai will realise land supply in the second half of the year and contribute premium sales resources to the Group in the future. In addition, the Group will leverage its advantages accumulated from diversified businesses like culture and leisure, technology, and healthcare, and acquire land resources through industrial real estate and other means in the long run.

Concerning financing, asset-backed securities, housing leasing special corporate bonds and collaboration with funds are expected to be major financing means for real estate enterprises. The Group will also explore various domestic financing means that are based on the balance payment of properties, supply chain, long-term leasing apartment, and others, striving to optimise its debt structure and reduce its finance costs through diversified financing channels. At the same time, as the Central government is accelerating the implementation of debt-to-equity swap program, the Group will also look for market opportunities through equity financing at the project level and joint development of resources with competent partners.

Furthermore, Kaisa Property Holdings Limited, the Group's subsidiary engaged in property management business, has submitted the listing application form (A1 Form) to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the period for the application of listing of, and permission to deal in the shares on the main board of the Stock Exchange. The Group will make further announcement in relation to the proposed spin-off in due course.

Acknowledgement

The steady development of the Group during the period 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 fulfill and exceed our goals so as to maximise the value and returns to our shareholders and investors.

KWOK Ying Shing

Chairman

Hong Kong, 28 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the period, the Group recorded a turnover of approximately RMB15,027.8 million, representing an increase of 75.0% as compared to the corresponding period in 2017. Profit attributable to owners of the Company amounted to approximately RMB1,704.1 million, representing a decrease of 9.9% as compared to the corresponding period in 2017. Core net profit for the period, excluding net gain on repurchase of senior notes, net fair value gain on financial assets at FVTPL, fair value gain on investment properties and net of deferred tax, reached approximately RMB1,884.7 million, representing an increase of 66.0% as compared to the corresponding period in 2017. Basic earnings per share were RMB28.1 cents (2017: RMB36.8 cents).

The Board recommended the payment of an interim dividend of HK3 cents per share for the six months ended 30 June 2018 (30 June 2017: nil). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting.

CONTRACTED SALES IN THE FIRST HALF OF 2018

In the first half of 2018, contracted sales of the Group amounted to approximately RMB25,319 million, representing an increase of 12.7% as compared to the corresponding period in 2017. Aggregate GFA sold during the period was approximately 1,416,053 sq. m., representing an increase of 1.9% as compared to the corresponding period in 2017. Average selling price of the contracted sales increased by 10.6% to approximately RMB17,880 per sq. m.. The table below shows the Group's contracted sales by region in the first half of 2018:

Region	Contracted sales area (sq. m.)	Contracted sales amount (RMB in millions)
Pearl River Delta	559,012	14,045
Yangtze River Delta	195,069	4,402
Central China Region	146,568	2,170
Western China Region	288,097	2,758
Pan-Bohai Bay Rim	227,307	1,944
Total	1,416,053	25,319

Property development

Projects completed for the six months ended 30 June 2018

The Group adopts a strict and prudent practice in property development projects and adjusts its pace of business expansion as and when appropriate. During the period, the GFA of newly completed projects of the Group amounted to approximately 1.0 million sq. m..

Projects under development

As at 30 June 2018, the Group had 47 projects under development with an aggregate GFA of approximately 9.0 million sq. m..

Property management

The Group derives revenue from the provision of property management services. During the period, the Group managed a total GFA of approximately 25.4 million sq. m.. The Group's property management team is striving to deliver excellent and professional services to its customers, with a view to enhancing its brand and corporate image. As at 30 June 2018, the Group's property services penetrated into nearly 40 cities nationwide, covering residential, commercial, office, tourism and large-scale stadiums.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income, and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account the long-term growth potential, the overall market conditions, its cash flows and financial condition. As at 30 June 2018, the Group held 20 investment property projects, with an aggregate GFA of 1,422,656 sq. m., of which an aggregate GFA of 570,183 sq. m. of completed investment properties were for rental purposes.

Land bank

The Group replenished its land bank by making reference to the Company's development, opportunities in the land market and its financial condition. The Group continued to identify project resources in five major city clusters in China by way of joint development, acquisition and merger, land tendering, auction or listing, and urban redevelopment. In addition to the existing 35 cities, the Group has entered into eight new cities in Jiangsu, Zhejiang, Hebei, Guangdong, Sichuan and Hunan provinces.

The Group purchased a total of 14 land parcels or related equity interests in the first half of 2018. The aggregate consideration for the land acquisitions was approximately RMB5,371.5 million, for an average land cost per attributable GFA of approximately RMB4,934 per sq. m.. The total planned GFA per maximum allowed plot ratio attributable to the Group is up to approximately 1,088,772 sq. m.

Management Discussion and Analysis (continued)

As at 30 June 2018, the Group had a total land bank of approximately 22.2 million sq. m., which is sufficient for the Group's development needs for the next five years, among which, approximately 57.0% of land bank is located in the Bay Area.

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

Time of Acquisition	Location	Attributable Interest	Site Area (sq. m.)	Attributable GFA (sq. m.)	Consideration (RMB in millions)	Type
May 2018	Xuzhou, Jiangsu	50%	132,397	86,058	867.0	Residential
May 2018	Shenzhen, Guangdong	90%	34,129	144,081	2,015.0	Residential and commercial
May 2018	Shaoxing, Zhejiang	36%	61,234	16,798	112.1	Residential
May 2018	Bazhou, Hebei	51%	36,576	27,979	133.8	Residential
May 2018	Gu'an, Hebei	49%	32,484	23,876	87.7	Residential
June 2018	Ningbo, Zhejiang	30%	15,086	11,767	82.4	Residential and commercial
June 2018	Pengzhou, Sichuan	100%	104,964	278,192	267.7	Residential
June 2018	Suzhou, Jiangsu	100%	31,666	37,999	213.6	Residential
June 2018	Yangjiang, Guangdong	100%	39,063	60,553	168.7	Residential
June 2018	Shanghai	100%	44,590	80,262	398.1	Social housing
June 2018	Yangjiang, Guangdong	100%	39,389	98,472	251.7	Residential
June 2018	Hengyang, Hunan	51%	50,054	81,943	225.4	Residential
June 2018	Dalian, Shenyang	100%	41,150	104,392	232.3	Residential
June 2018	Shenzhen, Guangdong	72%	5,992	36,400	316.0	Residential and commercial
			668,774	1,088,772	5,371.5	

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 75.0% to approximately RMB15,027.8 million for the six months ended 30 June 2018 from approximately RMB8,586.8 million for the corresponding period in 2017. 93.1% of the Group's revenue was generated from the sales of properties (2017: 91.6%) and 6.9% from other segments (2017: 8.4%).

Sales of properties

Revenue from sales of properties increased by approximately RMB6,117.4 million, or 77.8%, to approximately RMB13,984.8 million for the six months ended 30 June 2018 from approximately RMB7,867.4 million for the corresponding period in 2017. The increase was primarily attributable to an increase in the total GFA delivered during the six months ended 30 June 2018.

Rental income

Revenue from rental income increased by approximately RMB0.7 million, or 0.6%, to approximately RMB126.4 million for the six months ended 30 June 2018 from approximately RMB125.7 million for the corresponding period in 2017.

Property management

Revenue from property management service increased by approximately RMB29.2 million, or 16.9%, to approximately RMB201.8 million for the six months ended 30 June 2018 from approximately RMB172.6 million for the corresponding period in 2017. The 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 RMB60.0 million, or 132.2% to approximately RMB105.4 million for the six months ended 30 June 2018, from approximately RMB45.4 million for the corresponding period in 2017. This increase was primarily attributable to the commencement of new hotels during the second half of 2017.

Cinema, department stores and cultural centre operations

Revenue from cinema, department stores and cultural centre operations increased by approximately RMB7.4 million, or 7.4%, to approximately RMB107.2 million for the six months ended 30 June 2018 from approximately RMB99.8 million for the corresponding period in 2017. The increase was primarily attributable to business expansion.

Water-way passenger and cargo transportation

Revenue from water-way passenger and cargo transportation increased by approximately RMB113.1 million, or 45.3% to approximately RMB362.6 million for the six months ended 30 June 2018 from approximately RMB249.5 million for the corresponding period in 2017. The increase was primarily attributable to business expansion.

Gross profit

The Group recorded a gross profit of approximately RMB4,736.5 million and a gross profit margin of 31.5% for the six months ended 30 June 2018 respectively, as compared to gross profit of approximately RMB2,858.6 million and a gross profit margin of 33.3% in the corresponding period of last year.

Other gains – net

The Group had net other gains of approximately RMB115.7 million for the six months ended 30 June 2018, as compared to net other gains of approximately RMB480.2 million for the corresponding period in 2017. The Group's net other gains for the six months ended 30 June 2018 mainly comprised government subsidy income of approximately RMB357.6 million, gain on repurchase of senior notes of approximately RMB142.7 million, net fair value gain on financial assets at FVTPL of approximately RMB103.5 million and dividend income received from financial assets at FVTPL of approximately RMB21.2 million, offset by write-down of completed properties held for sale and properties under development of approximately RMB391.0 million and provision for expected credit loss of approximately RMB130.0 million. The Group's net other gains for the six months ended 30 June 2017 mainly comprised of bad debt of other receivable recovery of approximately RMB450.0 million, government subsidy income of approximately RMB30.3 million and dividend income received from available-for-sale financial assets of approximately RMB22.2 million, offset by write-down of completed properties held for sale and properties under development of approximately RMB17.8 million and write off of intangible assets of approximately RMB9.8 million.

Provisional gain on deemed disposal

The Group had recorded provisional gain on deemed disposal of subsidiaries of approximately RMB1,994.9 million for the six months ended 30 June 2018.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB99.2 million, or 37.8%, to approximately RMB361.3 million for the six months ended 30 June 2018 from approximately RMB262.1 million for the corresponding period in 2017. The increase in selling and marketing costs was due to higher advertising and other promotional costs.

Administrative expenses

The Group's administrative expenses increased by approximately RMB614.0 million, or 77.9%, to approximately RMB1,402.0 million for the six months ended 30 June 2018 from approximately RMB788.0 million for the corresponding period in 2017. The increase was primarily attributable to the increase in staff costs, office expenses and donations.

Fair value gain on investment properties

The fair value gain on the Group's investment properties was approximately RMB134.8 million for the six months ended 30 June 2018 and approximately RMB1,320.4 million for the corresponding period in 2017. In the first half of 2017, certain properties were transferred to investment properties and significant increase in fair value was resulted, while there is no such transfer incurred in the current period and led to the decrease in the Group's fair value gain in investment properties for the six months ended 30 June 2018.

Fair value loss on financial derivatives

The fair value loss on financial derivatives was RMB321.8 million for the six months ended 30 June 2017. The financial derivatives were derecognised in 2017 as a result of conversion of convertible bonds.

Finance costs – net

The Group's net finance costs increased by approximately RMB611.0 million, or 4,716.0% to approximately RMB624.0 million for the six months ended 30 June 2018 from approximately RMB13.0 million for the corresponding period in 2017. The increase was mainly attributable to the net exchange loss of RMB419.2 million whereas the net exchange gains of RMB432.3 million was recorded in the corresponding period of last year. The net exchange loss/gain mainly arised from the U.S. dollar denominated offshore financing as a result of the depreciation/appreciation of Renminbi against the U.S. dollar.

Income tax expenses

The Group's income tax expenses increased by approximately RMB911.0 million, or approximately 63.7%, to approximately RMB2,340.5 million for the six months ended 30 June 2018 from approximately RMB1,429.5 million for the corresponding period in 2017.

Profit and total comprehensive income for the six months ended 30 June 2018

As a result of the foregoing, the Group's profit and total comprehensive income for the six months ended 30 June 2018 amounted to approximately RMB2,232.1 million and approximately RMB2,245.6 million, respectively (Six months ended 30 June 2017: profit and total comprehensive income amounted to approximately RMB1,803.9 million and RMB1,791.6 million, respectively.)

Liquidity, financial and capital resources

Cash position

As at 30 June 2018, the carrying amount of the Group's cash and bank deposits was approximately RMB26,286.5 million (31 December 2017: RMB21,170.2 million), representing an increase of 24.2% as compared to that as at 31 December 2017. Certain property development companies of the Group placed a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after the completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as at 30 June 2018, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collaterals amounted to approximately RMB10,097.6 million as at 30 June 2018 (31 December 2017: RMB7,939.6 million).

Senior notes

During the six months ended 30 June 2018, the Group issued a principal amount of US\$330.0 million additional 2020 Notes. In May and June 2018, the Group made on-market repurchases of a principal amount of US\$108.0 million of the 2022 Notes and a principal amount of US\$67.5 million of the 2024 Notes. The repurchased Notes were cancelled accordingly. As of 30 June 2018, the senior notes included:

	2019 Notes HK\$'000	2020 Notes USD'000	2021 Notes USD'000	2022 Notes USD'000	2024 Notes USD'000
At 1 January 2018	2,325,000	460,000	325,000	1,255,000	3,119,000
New Issuance	–	330,000	–	–	–
Cancellation	–	–	–	(108,000)	(67,500)
	<u>2,325,000</u>	<u>790,000</u>	<u>325,000</u>	<u>1,147,000</u>	<u>3,051,500</u>

Borrowings and charges on the Group's assets

As at 30 June 2018, the Group had aggregate borrowings of approximately RMB109,621.7 million, of which approximately RMB18,304.9 million will be repayable within 1 year, approximately RMB23,152.7 million will be repayable between 1 and 2 years, approximately RMB45,009.3 million will be repayable between 2 and 5 years and approximately RMB23,154.8 million will be repayable over 5 years.

As at 30 June 2018, the Senior Notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key financial ratios

As at 30 June 2018, the Group has a leverage ratio (i.e. its net debts (total borrowings, net of cash and bank balances, short-term bank deposits, long-term bank deposits and restricted cash) over total assets) of 38.8% (31 December 2017: 42.2%). The Group's net current assets increased by 0.5% from approximately RMB69,956.0 million as at 31 December 2017 to approximately RMB70,290.1 million as at 30 June 2018. The quick ratio improved from 1.0 to 1.4 times while the current ratio remain stable at 1.8 times as at 31 December 2017 and as at 30 June 2018.

Cost of borrowings

For the six months ended 30 June 2018, the Group's total cost of borrowings (including net exchange gains/losses) was RMB4,778.5 million, representing an increase of approximately RMB1,796.0 million or 60.2% as compared to the corresponding period in 2017. The increase was primarily attributable to the increase in total interest expenses and the net exchange losses recorded in the current period.

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 30 June 2018, the Group had cash balances denominated in US\$ of approximately RMB546.7 million, and in HK\$ of approximately RMB289.0 million and the Senior Notes in US\$ and HK\$ with an aggregate carrying amount of RMB34,016.1 million and RMB1,961.1 million respectively, and other offshore banking facilities denominated in US\$ and HK\$, of RMB794.0 million and RMB1,332.1 million respectively, which are subject to foreign currency exposure.

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

Financial guarantees

As at 30 June 2018, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB30,013.8 million (31 December 2017: RMB30,094.9 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Employees and remuneration policy

As at 30 June 2018, the Group had approximately 13,320 employees (31 December 2017: approximately 12,810 employees). The related employees' costs (including the directors' remuneration), for the six months ended 30 June 2018 amounted to approximately RMB848.6 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 the share option scheme is available in the Annual Report of the Company for the year ended 31 December 2017.

PROJECT PORTFOLIO

AS AT 30 JUNE 2018

No.	Project	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	Junction of Xincheng Road and Pingxi Road, Longgang District	Shenzhen	Residential
5	Shenzhen Xiangrui Garden	North of Beihuan Highway, Nanashan District	Shenzhen	Residential
6	Shenzhen Mingcui Garden	Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District	Shenzhen	Residential
7	Shenzhen Jincui Garden	Cuizhu Road, Luohu District	Shenzhen	Residential
8	Shenzhen Shangpin Garden	Bantian Community, Bantian Street, Longgang District	Shenzhen	Residential
9	Shenzhen Kaisa Financial Center	Shennan Avenue, Futian District	Shenzhen	Commercial
10	Shenzhen Metro City ⁽²⁾	Buji Station, Shenhui Road, Nanmendun, Buji Town, Longgang District	Shenzhen	Residential
11	Shenzhen Kaisa City Plaza	Banxuegang Avenue, Longgang District	Shenzhen	Residential
12	Shenzhen Kaisa Metropolitan Homeland ⁽²⁾	Mumianwan Station, Longgang Avenue, Buji, Longgang District	Shenzhen	Residential
13	Shenzhen Dapeng Kaisa Peninsula Resort	Yingbin Avenue, Dapeng New 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⁾	Junction of Shouzhen Street and Pinghu Avenue, Pinghu Street, Longgang District	Shenzhen	Residential
20	Shenzhen Kaisa Future City	Junction of Ruyi Road and Dayun Road, Longcheng Street, Longgang District	Shenzhen	Residential
21	Shenzhen Nan'ao Project	Shuitousha Beach, Nan'ao Street, Dapeng District	Shenzhen	Commercial
22	Shenzhen Dongmendao Project ⁽²⁾⁽³⁾	Dongmen Street, Luohu District	Shenzhen	Commercial & Residential
23	Shenzhen Kaisa E Cube ⁽³⁾	Huanguan Nan Road and Guantian Road, Guanlan Street, Longhua District	Shenzhen	Commercial & Residential
24	Shenzhen Inno Park	West Wing of Guangming Avenue High-tech Industrial Park, Guangming New District	Shenzhen	Industrial
25	Shenzhen Inno City	East of Nantai Road, Xixiang Street, Bao'an District	Shenzhen	Industrial
26	Guangzhou Jinmao ⁽²⁾	No.191 Tiyu West Road, Tianhe District	Guangzhou	Commercial
27	Guangzhou Kaisa Plaza	No.78 Huangpu Avenue West, Zhujiang New Town, Tianhe District	Guangzhou	Commercial

No.	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.]	
The Pearl River Delta							
1	1-8	160,514	580,135	580,135	–	–	100%
2	1-7	185,724	735,299	735,299	–	–	100%
3	–	5,966	98,241	98,241	–	–	100%
4	1-5	182,064	388,626	388,626	–	–	100%
5	–	57,984	143,796	143,796	–	–	100%
6	1-4	102,439	394,663	394,663	–	–	100%
7	–	9,066	105,830	105,830	–	–	100%
8	–	45,829	231,572	231,572	–	–	100%
9	1	14,411	142,000	–	142,000	–	100%
10	1-4	5,241	124,479	124,479	–	–	100%
11	1-4	179,642	1,084,854	825,271	259,583	–	100%
12	1-4	19,393	138,892	138,892	–	–	100%
13	1-2	48,256	186,466	186,466	–	–	100%
14	1-2	47,890	165,455	165,455	–	–	100%
15	1-3	170,311	694,042	100,211	225,635	368,196	100%
16	1-4	869,838	516,400	–	50,000	466,400	51%
17	1	34,449	77,834	77,834	–	–	100%
18	1-2	49,582	295,749	295,749	–	–	51%
19	1-2	168,430	475,000	–	289,041	185,959	100%
20	1-2	48,773	279,003	–	159,453	119,550	100%
21	1	25,966	51,930	–	–	51,930	100%
22	1	5,992	50,556	–	–	50,556	72%
23	1	34,129	160,870	–	–	160,870	90%
24	1	103,739	269,159	–	269,159	–	24%
25	2	44,731	268,380	–	–	268,380	24%
26	1-9	14,192	233,322	233,322	–	–	100%
27	–	7,106	117,522	117,522	–	–	100%

Project Portfolio (continued)

No.	Project	Address	Location	Type ⁽¹⁾
28	Guangzhou Monarch Residence	No.99 Jiangnan Avenue Central, Haizhu District	Guangzhou	Residential
29	Guangzhou Kaisa Mansion No.1	No.555 Huangpu Avenue, Financial Center, Tianhe District	Guangzhou	Residential
30	Guangzhou Sky Villa	Tongbao Road, Guangzhou Avenue North, Baiyun District	Guangzhou	Residential
31	Guangzhou Sky Mansion	Lot No.20, Meihua Garden, Shatai Road, Baiyun District	Guangzhou	Residential
32	Guangzhou Kaisa City Plaza	Lot No.49, Nangang, Yunpu Industrial Zone, Huangpu District	Guangzhou	Residential
33	Guangzhou Kaisa Future City	No.3889 Huangpu Avenue East, Huangpu District	Guangzhou	Commercial
34	Guangzhou Nantian Project	East of Beihao Chung, North West to the Luoxi Bridge, Haizhu District	Guangzhou	Commercial
35	Guangzhou Kaisa Sky Bright	No.151 Xiaogang Road, Haizhu District	Guangzhou	Residential
36	Guangzhou Kaisa Sky Pride	71 Beiao Road, Yuexiu District	Guangzhou	Residential
37	Foshan Shunde Kaisa Mocha Town	Lot No.1, South of the Central District, Xingtan Town, Shunde District	Foshan	Residential
38	Foshan Shunde Kaisa Shangpin Garden	Linshang North Road, Beijiao New Town, Shunde District	Foshan	Residential
39	Foshan Shunde Kaisa Golden World	West of Waihuan Road, Ronggui Town, Shunde District	Foshan	Residential
40	Foshan Kaisa Bingo	No.169 Guangfo Road, Huangqi Town, Nanhai District	Foshan	Commercial
41	Foshan Kaisa Bingdoe ⁽³⁾	No. 97 Yanbu Huanzhen North road, Dali Town, Nanhai District	Foshan	Commercial
42	Dongguan Zhongyang Haomen	Longsheng Road, Xincheng District, Shilong Town	Dongguan	Residential
43	Dongguan Dongjiang Haomen	South of Dongjiang Road, Yangwu Village and Qishi Village, Qishi Town	Dongguan	Residential
44	Dongguan Shui'an Haomen	Fengshen Avenue, Fenggang Town	Dongguan	Residential
45	Dongguan Dijingwan	Jinshawan Square, Xincheng District, Shilong Town	Dongguan	Residential
46	Dongguan Le Grand Bleu	Xinwei Village Group, Qisha Village, Shatian Town	Dongguan	Residential
47	Dongguan Oasis Town	Junction of Huancheng Road and Green Road, Xiping Community, Nancheng District	Dongguan	Residential
48	Dongguan Yulongshan Garden	Jinzhou Community, Humen Town	Dongguan	Residential
49	Dongguan Shilong Project ⁽³⁾	Junction of Jiangnan Middle Road and Xihu no.1 road, Xihu District, Shilong Town	Dongguan	Residential
50	Dongguan Riverside Woods Palace ⁽³⁾	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential
51	Dongguan Riverside Hillview Palace ⁽³⁾	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential
52	Huizhou Kaisa Mansion No.1	Gutang'ao Miaozaikeng	Huizhou	Residential
53	Huizhou Kaisa Center	No.18 Subdistrict, Jiangbei, Huicheng District	Huizhou	Commercial
54	Huizhou Yuanzhou Project ⁽⁴⁾	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Buluo County	Huizhou	Residential
55	Huizhou Riverbank New Town	Jiangnan Section, Cuimeiyuan Village Committee, Hengkeng, Luoyang Town, Boluo County	Huizhou	Residential

No.	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.)	
28	-	7,707	56,666	56,666	-	-	100%
29	1	15,178	86,138	-	86,138	-	49%
30	1-2	65,627	230,577	-	230,577	-	49%
31	-	19,671	80,854	80,854	-	-	49%
32	1-4	190,742	776,318	333,178	443,140	-	49%
33	1-3	321,261	547,995	370,358	-	177,637	49%
34	1-3	78,644	315,343	-	-	315,343	70%
35	1	3,038	16,182	-	-	16,182	100%
36	1	7,759	29,383	-	-	29,383	100%
37	1-5	71,200	234,422	234,422	-	-	100%
38	1-4	32,819	98,021	98,021	-	-	100%
39	1-9	197,584	645,921	379,714	257,718	8,489	49%
40	-	14,406	101,398	-	-	101,398	49%
41	-	15,271	61,000	-	-	61,000	100%
42	-	82,742	377,481	377,481	-	-	100%
43	1	86,324	243,296	243,296	-	-	100%
44	1	70,734	200,386	200,386	-	-	80%
45	1-2	46,474	155,432	155,432	-	-	100%
46	1-4	239,050	717,084	217,023	158,773	341,288	100%
47	1-4	65,021	150,772	150,772	-	-	100%
48	1-2	33,910	109,180	109,180	-	-	100%
49	-	5,567	10,131	-	-	10,131	100%
50	-	62,802	155,693	-	-	155,693	85%
51	-	64,743	202,294	-	-	202,294	90%
52	1-10	89,998	260,577	260,577	-	-	100%
53	1-3	70,859	722,945	722,945	-	-	100%
54	-	20,400	61,200	-	-	61,200	100%
55	1-13	1,663,969	4,326,239	1,078,406	926,079	2,321,754	100%

Project Portfolio (continued)

No.	Project	Address	Location	Type ⁽¹⁾
56	Huizhou Kaisa Mountain Bay	Huangbujiao, Lianfeng Village, Renshan Town, Huidong County	Huizhou	Residential
57	Huizhou Kaisa Times Mocha Town	Junction of Zhongkai Avenue and Jinbang Road, Huicheng District	Huizhou	Residential
58	Huizhou Kaisa Dong River Garden ⁽³⁾	Jiangnanxincheng, Luoyang Town, Boluo County	Huizhou	Residential
59	Huizhou Longmen Longquan Dajing ⁽³⁾	Laiwu Village, Longtian Town, Longmen County	Huizhou	Residential
60	Zhuhai Lake View Waldorf Garden ⁽³⁾	Shangsha Street, Wanzai, Xiangzhou District	Zhuhai	Residential
61	Zhuhai Golden World	Huangyang North Avenue, South of Wangbao Reservoir, Jintai Temple, Doumen Town, Doumen District	Zhuhai	Residential
62	Zhuhai Kaisa Monarch Residence	North of Zhufeng Avenue, Qianwu Town, Doumen District	Zhuhai	Residential
63	Zhongshan Kaisa Xiangshan Royal Palace	No.3 Jinzhong Road, Jinzhong Village, Banfu Town	Zhongshan	Residential
64	Zhongshan Kaisa Shangpin Garden	No.1 Nanhu Road, Nanlang Town	Zhongshan	Residential
65	Zhongshan Kaisa Metro City	Junction of Xingbao Road and Yunsheng Road, Shaxi Town	Zhongshan	Residential
66	Yangjiang Riverside No. 1 ⁽³⁾	Next to Longtang Road, Yangdong District	Yangjiang	Residential
The Western China Region				
67	Chengdu Kaisa Monarch Residence	Erjiangsi Village, Huayang Town, Shuangliu County	Chengdu	Residential
68	Chengdu Lijing Harbour	Group 1 and 2, Huafeng Village, Yongquan Street, Wenjiang District	Chengdu	Residential
69	Chengdu Modern Town	Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County	Chengdu	Commercial
70	Chengdu Kaisa Mansion No.8	South Sanzhiqiu Area, Dongsheng Street, Shuangliu County	Chengdu	Residential
71	Chengdu Kaisa City Plaza	Group 1 and 2, Machang Village, Wenjia Street Office, Qingyang District	Chengdu	Residential
72	Chengdu Kaisa Leading Town	Group 6 and 7, Taiji Community, Gongping Street Office, Wenjiang District	Chengdu	Residential
73	Chengdu Kaisa Yuefu	Junction of Fengxiang Avenue and Fenghuang Avenue, Qingbaijiang District	Chengdu	Residential
74	Pengzhou Kaisa Golden Metro ⁽³⁾	West of Chengde Avenue (Beixin Avenue), Mengyang Town	Chengdu	Residential
75	Nanchong Kaisa Plaza	No.39 Zhengyang East Road, Shunqing District	Nanchong	Residential
76	Nanchong Monarch Residence	No.308 Baituba Road Shunqing District	Nanchong	Residential
77	Chongqing Kaisa Plaza	Longzhouwan Street, Banan District	Chongqing	Residential
78	Chongqing Kaisa Bright Harbour	Baqiao Town, Dadukou District	Chongqing	Residential
79	Chongqing Shaba Jingkou Project	Ertang Village, Jingkou Street, Jingkou Town, Shapingba District	Chongqing	Commercial & Residential
The Pan-Bohai Bay Rim				
80	Shenyang Kaisa Center	East of Qingnian Avenue, Shenhe District	Shenyang	Commercial
81	Shenyang Kaisa Yuefeng	Changbai South Road, Heping District	Shenyang	Residential
82	Yingkou Dragon Bay	Junction of Xinxin Road and Bohai Street, Laobian District	Yingkou	Residential

No.	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.)	
56	1-3	169,331	354,660	–	–	354,660	100%
57	1-5	289,186	642,616	–	223,165	419,451	51%
58	1-4	176,724	441,810	–	–	441,810	100%
59	1-4	387,335	630,000	–	–	630,000	70%
60	1-4	164,354	550,431	207,488	157,929	185,014	100%
61	1-4	192,710	316,037	166,728	149,309	–	100%
62	–	16,088	28,958	–	28,958	–	100%
63	1	21,061	69,794	–	–	69,794	100%
64	1	22,307	82,397	–	–	82,397	80%
65	1-2	61,873	248,500	–	248,500	–	80%
66	1-2	78,452	159,025	–	–	159,025	100%
The Western China Region							
67	1-3	182,666	1,041,531	1,041,531	–	–	100%
68	1	150,071	761,542	761,542	–	–	100%
69	1-2	133,269	362,420	362,420	–	–	100%
70	1-5	120,570	633,275	342,647	290,628	–	100%
71	1-4	112,194	460,901	460,901	–	–	100%
72	1-2	57,528	342,533	342,533	–	–	100%
73	1-2	113,411	447,537	–	191,408	256,129	100%
74	1-4	104,961	278,191	–	–	278,191	100%
75	1-2	29,541	116,634	116,634	–	–	100%
76	1-3	256,187	813,746	813,746	–	–	100%
77	1-3	119,767	481,362	392,985	88,377	–	100%
78	1-10	324,327	989,399	388,770	447,292	153,337	100%
79	–	56,788	141,945	–	–	141,945	100%
The Pan-Bohai Bay Rim							
80	1	21,423	292,331	292,331	–	–	100%
81	1	12,947	38,844	–	38,844	–	100%
82	1-2	220,669	593,302	347,000	137,056	109,246	100%

Project Portfolio (continued)

No.	Project	Address	Location	Type ⁽¹⁾
83	Yingkou Monarch Residence	West of Xuefu Road, East of Shifu Road, South of New Donghai Street, Laobian District	Yingkou	Residential
84	Anshan Lake View Waldorf	Shengli North Road, Lishan District	Anshan	Residential
85	Anshan Monarch Residence	South of Ziyou Dong Road, East of Anqian Road, Lishan District	Anshan	Residential
86	Anshan Kaisa Plaza ⁽²⁾	Renmin Road, Tiexi District	Anshan	Commercial
87	Benxi Lake View Place	Binhe North Road, Mingshan District	Benxi	Residential
88	Panjin Kaisa Center	No.1, Shifu Avenue, Xinglongtai District	Panjin	Residential
89	Huludao Suizhong Kaisa Dongdaihe ⁽³⁾	South of Binhai Road, Dongdaihe New district, Suizhong County	Huludao	Residential
90	Weifang Kaisa Golden World	North of Bailanghe Reservoir Dam, South of Weijiao Road	Weifang	Residential
91	Qingdao Lake View Place	East of Zhongjinger Road, West of Wangsha Road and South of Baishahe, Xiazhuang Street. Chengyang District	Qingdao	Residential
92	Dandong Kaisa Mansion No.1	South of Huanghai Avenue, Zhenxing District	Dandong	Residential
93	Liaoyang Hot Spring Resort Project	Tanghe Town, Gongchangling District	Liaoyang	Residential
94	Dalian Kaisa Center	Donggang Business District, Zhongshan District	Dalian	Commercial
95	Dalian Kaisa Plaza	No.271 Tianjin Street, Zhongshan District	Dalian	Commercial
96	Dalian Kaisa No. 1	Junction of Zhonggang North Road and Hugang Road, Dalian Free Trade Zone	Dalian	Commercial & Residential
97	Bazhou Kaisa Peacock City Yuefeng ⁽³⁾	West of Rose Garden Hot Spring Resort, Bazhou City Development Zone	Bazhou	Residential
98	Gu'an Niutuo Tianci Project ⁽³⁾	Near Niutuo Hot Spring Peacock City, Niutuo Town, Gu'an County	Gu'an	Residential
The Central China Region				
99	Changsha Lake View Place	Jinping Village, Tiaoma County	Changsha	Residential
100	Changsha Kaisa Times Square	Yingpan East Road, Furong District	Changsha	Residential
101	Changsha Mexi Lake Project	Meixi Lake, Yuelu District	Changsha	Residential
102	Zhuzhou Golden World	Liyu Central Business District, Tianyuan District	Zhuzhou	Residential
103	Hengyang Kaisa Yuefeng ⁽³⁾	North of Chuanshan West Road, South of Lixin Avenue, West of Cailun Avenue	Hengyang	Residential
104	Wuhan Golden World	Junction of Baisha Road and Qingling East Road, Qingling County, Hongshan District	Wuhan	Residential
105	Wuhan Kaisa Mansion No.1	North of Zhiyin Avenue, West of Yangcheng West Road, Hanyang District	Wuhan	Residential
106	Wuhan Kaisa Plaza	No.336 Wuluo Road, Wuchang District	Wuhan	Residential
107	Wuhan Kaisa Yuefu	North of Jinbei no.1 Road and East of Wuxinganxian, Jinghe Street, Dongxi Lake District	Wuhan	Residential
108	Xinzheng Kaisa Yuefeng	West of Wenhua Road and South of Zhongxing Road, Xinzheng District	Zhengzhou	Residential
The Yangtze River Delta				
109	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwaihuan Road, and North of Renmin East Road	Jiangyin	Residential

No.	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.)	
83	1-2	71,922	233,745	233,745	-	-	100%
84	1-3	248,296	375,911	232,061	3,850	140,000	100%
85	1-4	129,739	389,216	133,214	160,773	95,229	100%
86	1-2	11,238	85,148	85,148	-	-	100%
87	1	122,200	324,480	324,480	-	-	100%
88	1-2	52,812	355,786	255,432	31,905	68,449	100%
89	1-8	1,367,932	2,161,833	566,091	841,843	753,899	100%
90	1-2	128,018	131,112	-	131,112	-	100%
91	1-3	229,865	391,418	179,701	211,717	-	100%
92	1-4	133,340	331,542	160,285	95,952	75,305	100%
93	1-10	372,427	309,114	192,875	78,619	37,620	100%
94	1-2	26,610	156,239	78,619	77,620	-	100%
95	-	15,955	78,454	78,454	-	-	100%
96	1	41,150	104,392	-	104,392	-	100%
97	1	36,576	54,860	-	-	54,860	51%
98	1	32,484	48,726	-	-	48,726	49%
The Central China Region							
99	1-4	673,536	938,203	938,203	-	-	100%
100	-	21,770	108,731	108,731	-	-	100%
101	1-8	253,693	894,104	411,930	482,174	-	100%
102	1-3	222,182	597,728	597,728	-	-	100%
103	1	50,054	160,673	-	-	160,673	51%
104	1-3	181,493	605,941	605,941	-	-	100%
105	-	40,351	156,763	156,763	-	-	100%
106	1	26,861	143,162	-	143,162	-	100%
107	1-2	128,539	354,247	-	-	354,247	100%
108	1	69,499	172,082	-	85,840	86,242	100%
The Yangtze River Delta							
109	1-3	225,533	272,274	272,274	-	-	100%

Project Portfolio (continued)

No.	Project	Address	Location	Type ⁽¹⁾
110	Jiangyin Gushan Mocha Town	South of Golden Gushan Garden and West of Xingfu Avenue, Gushan Town	Jiangyin	Residential
111	Jiangyin Kaisa Plaza	No.1091 Renmin East Road	Jiangyin	Residential
112	Jiangyin Zhouzhuang Golden World	East of Zhouxi Dong Road, Zhouzhuang Town	Jiangyin	Residential
113	Jiangyin Changjing Lake View Waldorf	East of Xinglong Road and South of Dongshun Road, Changjing Town	Jiangyin	Residential
114	Jiangyin Tonghui Garden	North of Tonghui Road, West of Tongjiang Road, and South of Tongfu Road	Jiangyin	Residential
115	Jiangyin Fuqiao Homeland	North of Chengxi Road, West of Tongdu Road, and South of Binjiang Road	Jiangyin	Residential
116	Changzhou Phoenix Lake No.1	South of Qingyang Road, Xuejia Town, Xinbei District	Changzhou	Residential
117	Taizhou Kaisa Mansion No.1	North of Chenzhuang Road and West of No.11 Road, Taizhou Economic Development Area	Taizhou	Residential
118	Shanghai Shanhuwan Garden	No.4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai	Residential
119	Shanghai Shangpin Garden	Kangfeng North Road and Kangnian Road, Malu Town, Jiading District	Shanghai	Residential
120	Shanghai Kaisa Mansion No.8	No.99 Alley, Juting Road, Zhuanghang Town, Fengxian District	Shanghai	Residential
121	Shanghai Kaisa City Plaza	Junction of Shengzhu East Road and Chengliu Road, Xuhang Town, Jiading District	Shanghai	Residential
122	Shanghai Kaisa Mansion	Junction of Minsheng Road and Middle Yanggao Road, Pudong District	Shanghai	Commercial
123	Shanghai Kaisa Monarch Residence	Junction of Songjian Road and Fumao Road, Chonggu Town, Qingpu District	Shanghai	Residential
124	Shanghai Kaisa City Garden	East to Qiyuan Road, West to Xiaoxin River, South to Shupindong Road and North to Xinjian No.1 Road, Xuhang Town, Jiading District	Shanghai	Residential
125	Taicang Lake View Waldorf	No.1 Jinan Road, Science-Education New Town	Taicang	Residential
126	Hangzhou Jade Dragon Court	North of Zhennan Road, Zhijiang National Holiday Resort, West Lake District	Hangzhou	Residential
127	Hangzhou Kaisa Monarch Residence	North of Shitang Road and West of Donghu Road, Qiaosi Street, Yuhang District	Hangzhou	Residential
128	Hangzhou Puyu Court	Jingfeng Community, Wuchang Street, Yuhang District	Hangzhou	Residential
129	Hangzhou Fuyang Yinhu Project	Dashanjiao Village, Yinhu Street, Fuyang District	Hangzhou	Residential
130	Shaoxing Kaisa Guoyue Mansion ⁽³⁾	Lanting Street, Keqiao District	Shaoxing	Residential
131	Shaoxing Kaisa Monarch Residence	Fuquan Street, Keqiao District	Shaoxing	Residential
132	Suzhou Kaisa Plaza	West of Tayuan Road and South of Zhuyuan Road, Shishan Street, High-tech District	Suzhou	Residential
133	Suzhou Kaisa Monarch Residence	South of Xingye Road and East of Sudai Road, Huangqiao Street, Xiangcheng District	Suzhou	Residential
134	Suzhou Kaisa Yufeng	Southwest side of the junction of Pangshan Road and Huxin West Road, Wujiang District (Tongli Town)	Suzhou	Residential

No.	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.)	
110	1-4	76,465	132,849	132,849	–	–	100%
111	1-3	158,240	553,177	553,177	–	–	100%
112	1-2	103,589	182,656	112,889	–	69,767	100%
113	1-2	93,275	149,763	149,763	–	–	100%
114	–	41,440	73,615	73,615	–	–	100%
115	–	35,801	134,535	134,535	–	–	100%
116	1-2	101,819	253,356	253,356	–	–	100%
117	1-5	192,505	327,303	84,138	–	243,165	51%
118	1-4	104,796	140,151	140,151	–	–	100%
119	–	23,307	84,448	84,448	–	–	100%
120	1-2	143,053	251,926	116,474	135,452	–	100%
121	1-3	117,256	331,724	331,724	–	–	100%
122	1	11,088	77,811	–	77,811	–	100%
123	1-2	90,642	212,240	–	212,240	–	100%
124	1	23,638	55,429	–	55,429	–	100%
125	1-3	87,741	201,346	201,346	–	–	100%
126	–	39,376	98,041	98,041	–	–	100%
127	–	36,595	100,849	100,849	–	–	100%
128	1	74,779	207,476	207,476	–	–	100%
129	1	26,000	35,620	–	–	35,620	100%
130	1	61,233	46,660	–	–	46,660	36%
131	1	19,852	72,448	–	72,448	–	70%
132	1-2	33,234	123,216	72,448	50,768	–	100%
133	1-2	59,629	197,069	137,154	59,915	–	100%
134	1	29,911	81,945	–	81,945	–	100%

Project Portfolio (continued)

No.	Project	Address	Location	Type ⁽¹⁾
135	Zhangjiagang Fengming Riverside ⁽³⁾	Southwest Corner of the Junction of Yingshan Road and Jingu Road, Phoenix Town	Zhangjiagang	Residential
136	Ningbo Qi'ai Bridge Project ⁽³⁾	Junction of Century Avenue and Min'an Road, Yinzhou District	Ningbo	Commercial & Residential
137	Nanjing Kaisa City Plaza	Junction of Nanwai and Taiqing Road, South of Hexi Area, Jianye District	Nanjing	Residential
138	Nanjing Kaisa Sky Mansion	D Area No.560 Heyan Road, Xixia District	Nanjing	Residential
139	Jiaxing Xitang Project	East of Hongfu Road and South of Nanyuan Road, Xitang Town	Jiaxing	Residential
140	Xuzhou Yunlong District Project ⁽³⁾	Lot No. 2018-32, Yunlong District	Xuzhou	Residential

Notes:

- 1 Residential properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities.
- 2 The Projects are renovation developments of once distressed assets and partially completed properties.
- 3 Including
 - (i) A portion of land with a site area of 84,359 sq. m. for 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) A portion of land with a site area of 273,997 sq. m. for Huizhou Longmen Longquan Dajing;
 - (iv) A portion of land with a site area of 85,520 sq. m. for Zhuhai Lake View Waldorf Garden;
 - (v) A portion of land with a site area of 157,649 sq. m. for Huludao Suizhong Kaisa Dongdaihe

for which as at 30 June 2018, the Group has not obtained the land use right certificate, but has entered into land grant contracts or obtained confirmation from the relevant land and resources bureau.

No.	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.)	
135	1	31,666	37,999	–	–	37,999	100%
136	1	15,086	39,224	–	–	39,224	30%
137	1-3	109,832	415,986	178,383	237,603	–	100%
138	1	27,376	89,590	–	–	89,590	100%
139	1	38,881	64,857	–	64,857	–	51%
140	1	132,397	172,115	–	–	172,115	50%
		16,935,474	45,184,032	24,823,821	8,996,189	11,364,022	

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

5 As at 30 June 2018, the GFA of total completed properties for sale reached 1,797,780 sq. m.

PROPERTIES UNDER DEVELOPMENT

The table below sets forth certain information of our property projects or project phases under development as at 30 June 2018. We have obtained land use rights certificates and construction works commencement permits for all of our properties under development.

Project	City	Project Phase	Total GFA	Saleable
			or Estimated Total GFA (sq. m.)	GFA or Estimated Total Saleable GFA (sq. m.)
Shenzhen Kaisa Financial Center	Shenzhen	1	142,000	129,640
Shenzhen Kaisa City Plaza	Shenzhen	3(6)	259,583	154,573
Shenzhen Yantian City Plaza	Shenzhen	2	225,635	71,344
Shenzhen Kaisa Golden Bay International Park	Shenzhen	1	50,000	0
Shenzhen Pinghu Kaisa Plaza	Shenzhen	1(5)	168,422	107,403
Shenzhen Pinghu Kaisa Plaza	Shenzhen	1(7)	120,619	42,527
Shenzhen Kaisa Future City	Shenzhen	1(1)	70,663	31,879
Shenzhen Kaisa Future City	Shenzhen	1(2)	88,790	80,340
Shenzhen Inno Park	Shenzhen	1	269,159	269,159
Guangzhou Kaisa Mansion No. 1	Guangzhou	1	86,138	71,183
Guangzhou Sky Villa	Guangzhou	1	165,574	142,521
Guangzhou Sky Villa	Guangzhou	2	65,003	48,135
Guangzhou Kaisa City Plaza	Guangzhou	1(3)	153,548	96,821
Guangzhou Kaisa City Plaza	Guangzhou	2	113,419	80,461
Guangzhou Kaisa City Plaza	Guangzhou	3	60,914	50,014
Guangzhou Kaisa City Plaza	Guangzhou	4	115,259	64,191
Foshan Shunde Kaisa Golden World	Foshan	6	6,148	6,064
Foshan Shunde Kaisa Golden World	Foshan	7	160,505	148,800
Foshan Shunde Kaisa Golden World	Foshan	8	91,065	80,812
Dongguan Le Grand Bleu	Dongguan	2	158,773	139,116
Huizhou Riverbank New Town	Huizhou	3(3)	156,611	112,402
Huizhou Riverbank New Town	Huizhou	5	173,398	144,853
Huizhou Riverbank New Town	Huizhou	6	30,625	29,300
Huizhou Riverbank New Town	Huizhou	7	237,647	114,669
Huizhou Riverbank New Town	Huizhou	10	327,798	198,689
Huizhou Kaisa Times Mocha Town	Huizhou	1	74,546	37,036
Huizhou Kaisa Times Mocha Town	Huizhou	2	148,619	105,942
Zhuhai Lake View Waldorf Garden	Zhuhai	2	157,929	36,971
Zhuhai Golden World	Zhuhai	3	84,679	76,503

Project	Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
Shenzhen Kaisa Financial Center	Apr-18	Not yet obtained	2020 4Q	100%
Shenzhen Kaisa City Plaza	Dec-17	Not yet obtained	2021 3Q	100%
Shenzhen Yantian City Plaza	Apr-17	Not yet obtained	2019 4Q	100%
Shenzhen Kaisa Golden Bay International Park	Jan-18	Not yet obtained	2018 3Q	51%
Shenzhen Pinghu Kaisa Plaza	Dec-17	Not yet obtained	2019 2Q	100%
Shenzhen Pinghu Kaisa Plaza	Dec-17	Not yet obtained	2019 2Q	100%
Shenzhen Kaisa Future City	Nov-17	Not yet obtained	2020 2Q	80%
Shenzhen Kaisa Future City	Nov-17	Yes	2018 4Q	80%
Shenzhen Inno Park	Jun-18	Not yet obtained	2020 4Q	24%
Guangzhou Kaisa Mansion No. 1	Jan-15	Yes	2019 3Q	49%
Guangzhou Sky Villa	Dec-16	Yes	2018 4Q	49%
Guangzhou Sky Villa	Apr-17	Yes	2018 4Q	49%
Guangzhou Kaisa City Plaza	Dec-16	Not yet obtained	2020 3Q	49%
Guangzhou Kaisa City Plaza	Nov-15	Yes	2019 2Q	49%
Guangzhou Kaisa City Plaza	Nov-15	Yes	2019 3Q	49%
Guangzhou Kaisa City Plaza	Nov-15	Yes	2020 1Q	49%
Foshan Shunde Kaisa Golden World	Sep-17	Yes	2019 3Q	49%
Foshan Shunde Kaisa Golden World	Sep-17	Not yet obtained	2020 2Q	49%
Foshan Shunde Kaisa Golden World	Oct-13	Yes	2018 4Q	49%
Dongguan Le Grand Bleu	Aug-16	Yes	2018 3Q	100%
Huizhou Riverbank New Town	Oct-11	Yes	2018 3Q	100%
Huizhou Riverbank New Town	Dec-16	Yes	2019 2Q	100%
Huizhou Riverbank New Town	May-17	Yes	2019 2Q	100%
Huizhou Riverbank New Town	Aug-17	Yes	2019 3Q	100%
Huizhou Riverbank New Town	Sep-17	Yes	2019 4Q	100%
Huizhou Kaisa Times Mocha Town	Nov-17	Not yet obtained	2019 2Q	51%
Huizhou Kaisa Times Mocha Town	Sep-17	Yes	2019 2Q	51%
Zhuhai Lake View Waldorf Garden	Jan-18	Not yet obtained	2019 4Q	100%
Zhuhai Golden World	Jan-17	Yes	2019 4Q	100%

Project Portfolio (continued)

Project	City	Project Phase	Total GFA	Saleable
			or Estimated Total GFA [sq. m.]	GFA or Estimated Total Saleable GFA [sq. m.]
Zhuhai Golden World	Zhuhai	2	64,630	45,805
Zhuhai Kaisa Monarch Residence	Zhuhai		28,958	23,146
Zhongshan Metro City	Zhongshan	1	112,500	94,545
Zhongshan Metro City	Zhongshan	2	136,000	78,914
Chengdu Kaisa Mansion No.8	Chengdu	4	172,158	88,515
Chengdu Kaisa Mansion No.8	Chengdu	5	118,470	94,620
Chengdu Kaisa Yuefu	Chengdu	1	191,408	156,955
Chongqing Kaisa Plaza	Chongqing	3	88,377	68,934
Chongqing Kaisa Bright Harbour	Chongqing	4	203,609	71,753
Chongqing Kaisa Bright Harbour	Chongqing	5	112,464	87,261
Chongqing Kaisa Bright Harbour	Chongqing	6	83,597	66,186
Chongqing Kaisa Bright Harbour	Chongqing	9	47,622	40,283
Shenyang Kaisa Yuefeng	Shenyang	1	38,844	31,075
Yingkou Dragon Bay	Yingkou	1	137,056	95,939
Anshan Lake View Waldorf	Anshan	2(2)	3,850	3,651
Anshan Monarch Residence	Anshan	2	160,773	78,947
Panjin Kaisa Center	Panjin	2	31,905	15,953
Huludao Suizhong Kaisa Dongdaihe	Huludao	4	194,022	129,986
Huludao Suizhong Kaisa Dongdaihe	Huludao	8	153,971	149,861
Huludao Suizhong Kaisa Dongdaihe	Huludao	6	146,328	140,315
Huludao Suizhong Kaisa Dongdaihe	Huludao	3(1)	123,037	120,286
Huludao Suizhong Kaisa Dongdaihe	Huludao	3(2)	59,051	59,051
Huludao Suizhong Kaisa Dongdaihe	Huludao	3(3)	94,464	83,128
Huludao Suizhong Kaisa Dongdaihe	Huludao	3(4)	70,970	63,873
Weifang Kaisa Golden World	Weifang	2	131,112	84,244
Qingdao Kaisa Lake View Place	Qingdao	2	88,613	52,248
Qingdao Kaisa Lake View Place	Qingdao	3	123,104	101,429
Dandong Kaisa Mansion No. 1	Dandong	3	39,816	28,668
Dandong Kaisa Mansion No. 1	Dandong	4	56,136	38,172
Liaoyang Hot Spring Resort	Liaoyang	1-2	78,619	40,922
Dalian Kaisa Center	Dalian		77,620	75,295
Dalian Kaisa No. 1	Dalian	1	104,392	84,558
Changsha Mexi Lake Project J Land	Changsha	5	260,221	210,994
Changsha Mexi Lake Project F Land	Changsha	6	221,954	178,032

Project	Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
Zhuhai Golden World	Dec-12	Yes	2018 4Q	100%
Zhuhai Kaisa Monarch Residence	Jan-18	Not yet obtained	2019 3Q	100%
Zhongshan Metro City	May-18	Not yet obtained	2019 4Q	80%
Zhongshan Metro City	Jul-18	Not yet obtained	2020 2Q	80%
Chengdu Kaisa Mansion No.8	Nov-17	Yes	2019 4Q	100%
Chengdu Kaisa Mansion No.8	Nov-17	Yes	2020 1Q	100%
Chengdu Kaisa Yuefu	Feb-18	Not yet obtained	2020 2Q	100%
Chongqing Kaisa Plaza	Oct-17	Yes	2019 3Q	100%
Chongqing Kaisa Bright Harbour	Jun-17	Yes	2018 4Q	100%
Chongqing Kaisa Bright Harbour	Nov-17	Yes	2021 3Q	100%
Chongqing Kaisa Bright Harbour	May-18	Yes	2019 2Q	100%
Chongqing Kaisa Bright Harbour	Jul-17	Not yet obtained	2020 3Q	100%
Shenyang Kaisa Yuefeng	Oct-17	Yes	2019 4Q	100%
Yingkou Dragon Bay	Apr-18	Not yet obtained	2021 1Q	100%
Anshan Lake View Waldorf	Oct-16	Yes	2018 4Q	100%
Anshan Monarch Residence	Dec-17	Yes	2019 3Q	100%
Panjin Kaisa Center	Dec-17	Not yet obtained	2021 1Q	100%
Huludao Suizhong Kaisa Dongdaihe	Sep-14	Yes	2019 4Q	100%
Huludao Suizhong Kaisa Dongdaihe	Jul-17	Yes	2019 1Q	100%
Huludao Suizhong Kaisa Dongdaihe	Jul-14	Not yet obtained	2021 4Q	100%
Huludao Suizhong Kaisa Dongdaihe	Aug-16	Yes	2021 4Q	100%
Huludao Suizhong Kaisa Dongdaihe	Sep-17	Yes	2021 4Q	100%
Huludao Suizhong Kaisa Dongdaihe	Jul-17	Yes	2021 3Q	100%
Huludao Suizhong Kaisa Dongdaihe	May-17	Yes	2021 3Q	100%
Weifang Kaisa Golden World	Nov-12	Not yet obtained	2019 4Q	100%
Qingdao Kaisa Lake View Place	Nov-13	Yes	2018 3Q	100%
Qingdao Kaisa Lake View Place	May-14	Yes	2019 3Q	100%
Dandong Kaisa Mansion No. 1	Dec-17	Yes	2019 4Q	100%
Dandong Kaisa Mansion No. 1	Apr-18	Not yet obtained	2020 2Q	100%
Liaoyang Hot Spring Resort	Jan-17	Yes	2019 4Q	100%
Dalian Kaisa Center	Jan-14	Not yet obtained	2019 4Q	100%
Dalian Kaisa No. 1	Jun-18	Not yet obtained	2020 3Q	100%
Changsha Mexi Lake Project J Land	Jan-17	Yes	2019 3Q	100%
Changsha Mexi Lake Project F Land	Nov-17	Yes	2020 4Q	20%

Project Portfolio (continued)

Project	City	Project Phase	Total GFA or Estimated Total GFA (sq. m.)	Saleable GFA or Estimated Total Saleable GFA (sq. m.)
Wuhan Kaisa Plaza	Wuhan	1	143,162	104,928
Xinzheng Kaisa Yuefeng	Zhengzhou	1	85,840	71,247
Shanghai Kaisa Mansion No.8	Shanghai	2	135,452	108,362
Shanghai Kaisa Mansion	Shanghai	1	77,811	49,896
Shanghai Kaisa Monarch Residence	Shanghai	1	55,429	53,510
Shanghai Kaisa Monarch Residence	Shanghai	2	156,811	87,758
Shanghai City Garden	Shanghai	1	55,429	41,315
Shaoxing Kaisa Monarch Residence	Shaoxing	1	72,448	47,503
Suzhou Kaisa Plaza	Suzhou	2	50,768	36,621
Suzhou Kaisa Monarch Residence	Suzhou	2	59,915	41,941
Suzhou Kaisa Yufeng	Suzhou	1	81,945	58,508
Nanjing Kaisa City Plaza	Nanjing	3	237,603	206,371
Jiaxing Xitang Project	Jiaxing	1	64,857	46,657
Total			8,996,189	6,409,508

Project	Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
Wuhan Kaisa Plaza	Sep-17	Yes	2019 3Q	100%
Xinzheng Kaisa Yuefeng	May-18	Not yet obtained	2019 4Q	100%
Shanghai Kaisa Mansion No.8	Jun-16	Not yet obtained	2019 2Q	100%
Shanghai Kaisa Mansion	Mar-16	Not yet obtained	2018 4Q	100%
Shanghai Kaisa Monarch Residence	Jun-16	Yes	2018 4Q	100%
Shanghai Kaisa Monarch Residence	Jun-16	Yes	2019 2Q	100%
Shanghai City Garden	Jun-18	Not yet obtained	2019 4Q	100%
Shaoxing Kaisa Monarch Residence	Jul-17	Not yet obtained	2019 2Q	70%
Suzhou Kaisa Plaza	Mar-16	Yes	2018 3Q	100%
Suzhou Kaisa Monarch Residence	Nov-14	Yes	2018 2Q	100%
Suzhou Kaisa Yufeng	Jan-18	Not yet obtained	2019 3Q	100%
Nanjing Kaisa City Plaza	Apr-16	Yes	2020 1Q	100%
Jiaxing Xitang Project	Mar-18	Yes	2020 2Q	51%

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The table below sets forth certain information of our property projects held for future development as at 30 June 2018.

Project	Location	Project Phase	Estimated Total GFA (sq. m.)	Estimated Completion Time ⁽¹⁾
Shenzhen Yantian City Plaza	Shenzhen	1-3	368,196	2020
Shenzhen Kaisa Golden Bay International Park	Shenzhen	1-4	466,400	2020
Shenzhen Pinghu Kaisa Plaza	Shenzhen	1-2	185,959	2020
Shenzhen Kaisa Future City	Shenzhen	1-2	119,550	2020
Shenzhen Nan'ao Project	Shenzhen	1	51,930	2021
Shenzhen Dongmendao Project	Shenzhen	1	50,556	2021
Shenzhen Kaisa E Cube	Shenzhen	1	160,870	2021
Shenzhen Inno City	Shenzhen	2	268,380	2022
Guangzhou Kaisa Future City	Guangzhou	3	177,637	2020
Guangzhou Nantian Project	Guangzhou	1-3	315,343	2021
Guangzhou Kaisa Sky Bright	Guangzhou	1	16,182	2021
Guangzhou Kaisa Sky Pride	Guangzhou	1	29,383	2021
Foshan Shunde Kaisa Golden World	Foshan	9	8,489	2018
Foshan Kaisa Bingo	Foshan	-	101,398	2020
Foshan Kaisa Bingdoe	Foshan	-	61,000	2020
Dongguan Le Grand Bleu	Dongguan	3-4	341,288	2022
Dongguan Shilong Project	Dongguan	-	10,131	2021
Dongguan Riverside Woods Palace	Dongguan	-	155,693	2021
Dongguan Riverside Hillview Palace	Dongguan	-	202,294	2021
Huizhou Yuan Zhou Project	Huizhou	-	61,200	2021
Huizhou Riverbank New Town	Huizhou	1-13	2,321,754	2021
Huizhou Kaisa Mountain Bay	Huizhou	1-3	354,660	2019
Huizhou Kaisa Times Mocha Town	Huizhou	1-5	419,451	2021
Huizhou Kaisa Dong River Garden	Huizhou	1-4	441,810	2020
Huizhou Longmen Longquan Dajing	Huizhou	1-4	630,000	2020
Zhuhai Lake View Waldorf Garden	Zhuhai	3-4	185,014	2019
Zhongshan Kaisa Xiangshan Royal Palace	Zhongshan	1	69,794	2019
Zhongshan Kaisa Shangpin Garden	Zhongshan	1	82,397	2019
Yangjiang Kaisa Riverside No. 1	Yangjiang	1-2	159,025	2020
Chengdu Kaisa Yuefu	Chengdu	1-2	256,129	2020

Project	Location	Project Phase	Estimated Total GFA (sq. m.)	Estimated Completion Time ⁽¹⁾
Pengzhou Kaisa Golden Metro	Chengdu	1-4	278,191	2020
Chongqing Kaisa Riverside New Town	Chongqing	1-10	153,337	2019
Chongqing Shaba Jingkou Project	Chongqing	-	141,945	2020
Yingkou Dragon Bay	Yingkou	1-2	109,246	2021
Anshan Lake View Waldorf	Anshan	3	140,000	2020
Anshan Monarch Residence	Anshan	1-4	95,229	2021
Panjin Kaisa Center	Panjin	1-2	68,449	2021
Huludao Suizhong Kaisa Dongdaihe	Huludao	1-8	753,899	2020
Dandong Kaisa Mansion No. 1	Dandong	1-4	75,305	2020
Liaoyang Hot Spring Resort	Liaoyang	3-10	37,620	2020
Bazhou Kaisa Peacock City Yuefeng	Langfang	1	54,860	2020
Gu'an Niutuo Tianci Project	Langfang	1	48,726	2020
Hengyang Kaisa Yuefeng	Hengyang	1	160,673	2020
Wuhan Kaisa Yuefu	Wuhan	1-2	354,247	2020
Xinzheng Kaisa Yuefeng	Zhengzhou	1	86,242	2020
Jiangyin Zhouzhuang Golden World Garden	Jiangyin	2	69,767	2021
Taizhou Kaisa Mansion No.1	Taizhou	5	243,165	2021
Hangzhou Fuyang Yinhu Project	Hangzhou	1	35,620	2020
Shaoxing Kaisa Guoyue Mansion	Shaoxing	1	46,660	2019
Zhangjiagang Fengming Riverside	Zhangjiagang	1	37,999	2019
Ningbo Qi'ai Bridge Project	Ningbo	1	39,224	2020
Nanjing Kaisa Sky Mansion	Nanjing	1	89,590	2019
Xuzhou Yunlong District Project	Xuzhou	1	172,115	2020
Total			11,364,022	

Note:

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

DISCLOSURE OF INTERESTS

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 30 June 2018, the maximum number of the Shares available for issue upon exercise of all Share options which may be granted under the Share Option Scheme is 496,511,100 Shares, representing approximately 8.18% of the issued share capital of the Company as at the date of the report.

During the six months ended 30 June 2018, a total of 63,000,000 options were granted under the Share Option Scheme. For the six months ended 30 June 2018, a total of 5,163,000 options were exercised, no options were cancelled, and a total of 11,474,000 options were forfeited/lapsed.

(4) Maximum entitlement of each Participant

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

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

The period within which the options must be exercised will be specified by the Company at the time of grant, provided that such period of time shall not exceed a period of ten years commencing on the date on which the share option is deemed to be granted and accepted.

(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 of the official 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 on the date of grant.

(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 30 June 2018 pursuant to the Share Option Scheme:

Grantee	Balance	Grant	Exercised	Cancelled/ forfeited/ lapsed	Balance
	as at 1 January 2018 (Note 1)	during the six months ended 30 June 2018	during the six months ended 30 June 2018	during the six months ended 30 June 2018	as at 30 June 2018
Directors					
SUN Yuenan	50,020,000	-	-	-	50,020,000
ZHENG Yi	48,588,000	-	-	-	48,588,000
ZHANG Jianjun	-	20,000,000	-	-	20,000,000
MAI Fan	10,000,000	-	-	-	10,000,000
RAO Yong	2,400,000	-	-	-	2,400,000
ZHANG Yizhao	1,400,000	-	-	-	1,400,000
LIU Xuesheng	1,200,000	-	-	-	1,200,000
Other employees					
In aggregate	356,906,000	43,000,000	(5,163,000)	(11,474,000)	383,269,000
Total	470,514,000	63,000,000	(5,163,000)	(11,474,000)	516,877,000

As at 30 June 2018, a total of 109,677,000 options were exercisable.

Note:

- (1) For the information on the date of grant, exercise period and exercise price in relation to the outstanding Share options as at 1 January 2018, please refer to Note 27 to the unaudited condensed consolidated interim financial information.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

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")) as at 30 June 2018 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") are set out 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	25.00%
MAI Fan	Interest of spouse	905,000	0.01%

Note: The percentages were calculated based on 6,068,893,329 Shares in issue as at 30 June 2018.

(ii) Long positions in the underlying Shares:

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

Note:

The percentages were calculated based on 6,068,893,329 Shares in issue as at 30 June 2018, assuming all the options granted under the Share Option Scheme have been exercised.

Save for those disclosed above, as at 30 June 2018, none of the Directors or chief executive had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, so far as the Directors are aware, persons other than the Directors or chief executive of the Company, who had 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 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	Beneficial owner	674,115,378 (L) (Note 2)	11.11%
Da Feng	Beneficial owner	843,065,378 (L) 200,000,000 (S) (Note 2)	13.89% 3.30%
Da Zheng Investment Company Limited	Beneficial owner	843,065,377 (L)	13.89%
Funde Sino Life Insurance Co., Ltd.	Beneficial owner Interest in a controlled corporation	649,700,957 (L) 887,995,149 (L) (Note 3)	25.34%
Fund Resources Investment Holding Group Company Limited	Beneficial owner	887,995,149 (L)	14.63%

Notes:

- 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.
- Each of Da Feng Investment Company Limited ("**Da Feng**") and Da Chang Investment Company Limited ("**Da Chang**") is wholly owned by Mr. Kwok Ying Shing.
- 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 30 June 2018. By virtue of SFO, Funde Sino Life Insurance Co., Ltd is deemed to be interested in Shares held by Fund Resources Investment Holding Group Company Limited.
- The percentage were calculated based on 6,068,893,329 shares in issue as at 30 June 2018.

Save for those disclosed above, as at 30 June 2018, to the best of the Directors' knowledge, no other persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

INDEPENDENT REVIEW REPORT



TO THE BOARD OF DIRECTORS OF KAISA GROUP HOLDINGS LTD.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 100, which comprises the condensed consolidated interim statement of financial position as at 30 June 2018, and the related condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of this interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12
28 Hennessy Road
Wanchai
Hong Kong

28 August 2018

Lin Ching Yee Daniel

Practising Certificate No.: P02771

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
Revenue	6	15,027,788	8,586,802
Cost of sales	7	(10,291,313)	(5,728,185)
Gross profit		4,736,475	2,858,617
Other gains and (losses), net	8	115,704	480,216
Provisional gain on deemed disposal	26	1,994,891	-
Selling and marketing costs	7	(361,269)	(262,086)
Administrative expenses	7	(1,402,041)	(788,016)
Fair value gain on investment properties	13	134,806	1,320,415
Fair value loss on financial derivatives		-	(321,816)
Operating profit		5,218,566	3,287,330
Share of results of associates	14(a)	(55,223)	(31,818)
Share of results of joint ventures	14(b)	33,234	(9,202)
Finance income		106,152	57,486
Finance costs		(730,108)	(70,442)
Finance costs, net	9	(623,956)	(12,956)
Profit before income tax		4,572,621	3,233,354
Income tax expenses	10	(2,340,530)	(1,429,459)
Profit for the period		2,232,091	1,803,895
Profit for the period attributable to:			
Owners of the Company		1,704,082	1,890,586
Non-controlling interests		528,009	(86,691)
		2,232,091	1,803,895
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB per share)			
- Basic	11	0.281	0.368
- Diluted	11	0.276	0.367

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income (continued)
For the six months ended 30 June 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the period	2,232,091	1,803,895
Other comprehensive income/(loss) for the period, including reclassification adjustments		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange gain/(loss) on translation of foreign operations	13,516	(12,309)
Other comprehensive income/(loss) for the period, including reclassification adjustments	13,516	(12,309)
Total comprehensive income for the period	2,245,607	1,791,586
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	1,712,587	1,881,964
Non-controlling interests	533,020	(90,378)
	2,245,607	1,791,586

The notes on pages 47 to 100 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	2,821,403	2,551,580
Investment properties	13	33,476,100	32,025,830
Land use rights	13	399,721	395,815
Investments in associates	14(a)	5,427,123	5,284,835
Investments in joint ventures	14(b)	7,513,722	6,818,118
Available-for-sale financial assets		–	4,400,796
Financial assets at fair value through profit or loss		6,160,364	–
Debtors, deposits and other receivables	15	466,828	823,860
Goodwill and intangible assets	16	1,163,389	1,206,237
Long-term bank deposits		400,000	–
Convertible bonds receivable		–	41,328
Deferred tax assets		111,652	9,699
		57,940,302	53,558,098
Current assets			
Properties under development		58,784,519	68,066,413
Completed properties held for sale		12,915,303	18,170,966
Inventories		4,221	2,714
Deposits for land acquisition	17	20,370,801	21,422,522
Prepayments for proposed development projects		17,928,102	15,925,608
Debtors, deposits and other receivables	15	19,322,902	14,124,677
Prepaid taxes		1,360,294	850,499
Restricted cash		10,097,550	7,939,574
Financial assets at fair value through profit or loss		63,045	96,467
Short-term bank deposits		42,430	1,232,206
Cash and bank balances		15,746,532	11,998,423
		156,635,699	159,830,069
Current liabilities			
Advance proceeds received from customers and deposits received	18	–	29,564,933
Contract liabilities	18	34,372,036	–
Accrued construction costs		11,609,397	15,170,791
Income tax payable		6,154,901	5,649,679
Borrowings	19	18,304,868	22,173,037
Other payables	20	15,904,440	17,315,611
		86,345,642	89,874,051

Condensed Consolidated Interim Statement of Financial Position (continued)
As at 30 June 2018

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Net current assets		70,290,057	69,956,018
Total assets less current liabilities		128,230,359	123,514,116
Non-current liabilities			
Borrowings	19	91,316,785	89,000,150
Other payables	20	–	104,171
Deferred tax liabilities		4,641,014	4,411,645
		95,957,799	93,515,966
Net assets		32,272,560	29,998,150
EQUITY			
Share capital	21	533,279	532,865
Share premium	21	6,318,120	6,913,069
Reserves	22	13,768,364	11,641,988
Equity attributable to owners of the Company		20,619,763	19,087,922
Non-controlling interests		11,652,797	10,910,228
Total equity		32,272,560	29,998,150

Kwok Ying Shing
Director

Mai Fan
Director

The notes on pages 47 to 100 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Unaudited					Total equity RMB'000
	Attributable to owners of the Company					
	Share capital RMB'000 (note 21)	Share premium RMB'000 (note 21)	Reserves RMB'000 (note 22)	Sub-total RMB'000	Non- controlling interests RMB'000	
Balance as at 1 January 2017 (audited)	450,450	4,253,704	8,241,973	12,946,127	10,100,272	23,046,399
Profit/(loss) for the period	-	-	1,890,586	1,890,586	(86,691)	1,803,895
Other comprehensive loss for the period	-	-	(8,622)	(8,622)	(3,687)	(12,309)
Total comprehensive income for the period	-	-	1,881,964	1,881,964	(90,378)	1,791,586
Acquisitions of subsidiaries	-	-	-	-	106,873	106,873
Capital injection by non-controlling interests	-	-	-	-	7,500	7,500
Issue of shares upon exercise of share options	190	3,903	(1,114)	2,979	-	2,979
Share-based payments	-	-	1,602	1,602	-	1,602
Balance as at 30 June 2017 (unaudited)	450,640	4,257,607	10,124,425	14,832,672	10,124,267	24,956,939
Balance as at 1 January 2018 (audited)	532,865	6,913,069	11,641,988	19,087,922	10,910,228	29,998,150
Adjustment on adoption of HKFRS 9, net of tax (note 3.1)	-	-	299,998	299,998	(7,224)	292,774
Restated balance as at 1 January 2018	532,865	6,913,069	11,941,986	19,387,920	10,903,004	30,290,924
Profit for the period	-	-	1,704,082	1,704,082	528,009	2,232,091
Other comprehensive income for the period	-	-	8,505	8,505	5,011	13,516
Total comprehensive income for the period	-	-	1,712,587	1,712,587	533,020	2,245,607
Acquisitions of subsidiaries (note 25)	-	-	-	-	51,426	51,426
Capital injection by non-controlling interests	-	-	-	-	254,377	254,377
Deemed disposal of subsidiaries (note 26)	-	-	-	-	(91,554)	(91,554)
2017 final dividends declared (note 12)	-	(603,729)	-	(603,729)	-	(603,729)
Issue of shares upon exercise of share options	414	8,780	(2,667)	6,527	-	6,527
Share-based payments	-	-	116,458	116,458	2,524	118,982
Balance as at 30 June 2018 (unaudited)	533,279	6,318,120	13,768,364	20,619,763	11,652,797	32,272,560

The notes on pages 47 to 100 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

		Unaudited Six months ended 30 June	
Notes		2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations		15,590,782	2,813,532
Income tax paid		(2,163,048)	(1,382,342)
Interest paid		(4,562,769)	(3,233,536)
<i>Net cash from/(used in) operating activities</i>		8,864,965	(1,802,346)
Cash flows from investing activities			
Additions of property, plant and equipment		13 (90,781)	(74,654)
Additions to investment properties		13 (1,315,464)	(1,689,293)
Additions to intangible assets		16 (46,422)	(264,031)
Acquisitions of associates		14(a) (177,507)	-
Acquisitions of subsidiaries, net of cash acquired		25 (205,274)	(927,773)
Increase in amounts due from joint ventures		(162,224)	(77,158)
(Increase)/Decrease in amounts due from associates		(3,631,595)	140,402
Increase in other receivables		(3,038,600)	(2,060,561)
Decrease/(Increase) in short-term bank deposits		1,189,776	(422,450)
Increase in long term bank deposits		(400,000)	-
Increase in consideration payables related to acquisition of joint ventures		5,600	-
Cash outflow from deemed disposal of subsidiaries		26 (2,572,394)	-
Payment for consideration payables related to acquisition of subsidiaries		(1,503,087)	(182,878)
Payment for consideration payable related to acquisition of associate		(757,937)	-
Purchase of financial assets at fair value through profit or loss		(949,544)	(59,114)
Other investing activities		(228,800)	70,376
<i>Net cash used in investing activities</i>		(13,884,253)	(5,547,134)
Cash flows from financing activities			
(Decrease)/Increase in other payables		(78,599)	357,082
Increase in amounts due to associates		428,011	-
Increase in amounts due to joint ventures		326,386	-
Decrease/(Increase) in restricted cash relating to borrowings		17,463	(3,510,920)
Capital injection from non-controlling interests		254,377	-
Decrease in amounts due to non-controlling interests of subsidiaries		(166,167)	(270,827)
Proceeds from bank and other borrowings		17,610,195	13,614,887
Net proceeds from issuance of senior notes		19(d) 2,075,073	5,362,071
Proceeds from loans from associates		428,250	-
Repayments of bank and other borrowings		(10,403,158)	(4,347,450)
Repayments of loans from associates		(721,900)	-
Proceeds to repurchase of senior notes		(960,817)	-
Other financing activities		(67,141)	11,593
<i>Net cash generated from financing activities</i>		8,741,973	11,216,436
Net increase in cash and cash equivalents		3,722,685	3,866,956
Cash and cash equivalents at beginning of period		11,998,423	10,819,117
Exchange adjustments		25,424	(64,377)
Cash and cash equivalents at end of period, represented by cash and bank balances		15,746,532	14,621,696

The notes on pages 47 to 100 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months 30 June 2018

1. GENERAL INFORMATION

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

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

The Company is engaged in investment holding and the 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 China (the "PRC").

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated, and was authorised for issue by the Board of Directors on 28 August 2018.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

(ii) Summary of significant accounting policies

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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

The following new/revised standards, amendments and improvements have been issued but were not yet effective for the financial period beginning on 1 January 2018 that are relevant to and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
HKFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Other than as disclosed below, the Directors of the Company anticipate that the application of the other new and revised HKFRSs issued but not yet effective for the financial period beginning on 1 January 2018 will have no significant impact on the financial performance and the financial position of the Group.

HKFRS 16 "Leases"

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

Currently the Group classifies leases into finance leases and operating leases and accounts for 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.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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

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 statement of profit or loss over the period of the lease. As at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB676,495,000 for land and buildings, 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.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

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

Annual Improvements Project HKFRS 1 and HKAS 28 (amendments)	Annual Improvements 2014-2016 Cycle
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HKAS 40 (amendments)	Transfers of Investment Property
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The amendments are effective from 1 January 2018 and are not expected to have any significant impact on the Group's interim financial information.

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

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(continued)*

3.1 Impact on the interim financial information

As explained in notes 3.2.1 and 3.3.1 below, HKFRS 9 and HKFRS 15 were generally adopted by the Group retrospectively without restating comparative information. As a result of the changes in the entity's accounting policies, certain reclassifications and adjustments are therefore not reflected in the restated condensed consolidated statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Condensed consolidated interim statement of financial position (extract)	At 31 December 2017 (Audited) RMB'000	Impact on initial application of HKFRS 9 RMB'000	Impact on initial application of HKFRS 15 RMB'000	At 1 January 2018 (Restated) RMB'000
Non-current assets				
Available-for-sale financial assets	4,400,796	(4,400,796)	-	-
Financial assets at fair value through profit or loss ("FVTPL")	96,467	5,086,320	-	5,182,787
Convertible bonds receivables	41,328	(41,328)	-	-
Deferred tax assets	9,699	63,459	-	73,158
Current assets				
Debtors, deposits and other receivables	14,124,677	(253,832)	-	13,870,845
Current liabilities				
Advance proceeds received from customers and deposits received	29,564,933	-	(29,564,933)	-
Contract liabilities	-	-	29,564,933	29,564,933
Non-current liabilities				
Deferred tax liabilities	4,411,645	161,049	-	4,572,694
Equity				
Retained earnings	10,973,620	299,998	-	11,273,618
Non-controlling interests	10,910,228	(7,224)	-	10,903,004

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Adoption of HKFRS 9

3.2.1 HKFRS 9 – Impact of adoption

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The adoption of HKFRS 9 has resulted in changes in the Group's accounting policies and recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. The new accounting policies are set out in note 3.2.2 below.

Classification and measurement of financial instruments

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

The Group's financial assets include cash and bank balances, debtors, deposits and other receivables, financial assets at FVTPL, long-term bank deposits, short-term bank deposits and restricted cash.

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

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

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Adoption of HKFRS 9 *(continued)*

3.2.1 HKFRS 9 – Impact of adoption *(continued)*

As a result of the adoption of HKFRS 9, the equity investments and convertible bonds receivable have been fair valued as at 1 January 2018 with reference to the valuation conducted by independent external valuers and the directors' best estimation. As at 1 January 2018, the fair value changes recognised in retained earnings was RMB644,196,000.

The adoption of HKFRS 9 led to an increase in financial assets at FVTPL, deferred tax liabilities and retained earnings of approximately RMB5,086,320,000, RMB161,049,000 and RMB483,147,000, respectively.

Impairment of financial assets

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

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

(i) Debtors

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

(ii) Deposits and other receivables from third parties, joint ventures, associates and non-controlling interests of a subsidiary (excluding prepayments)

Impairment on deposits and other receivables are measured as either 12-month expected credit losses or life time expected credit loss depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The Group allows 2% to 30% against deposits and other receivables from third parties, joint ventures, associates and non-controlling interests of a subsidiary.

The adoption of HKFRS 9 led to a decrease in debtor, deposits and other receivables, retained earnings and non-controlling interests of approximately RMB253,832,000, RMB183,149,000 and RMB7,224,000, respectively, and an increase in deferred tax assets of approximately RMB63,459,000.

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Adoption of HKFRS 9 *(continued)*

3.2.2 HKFRS 9 – Summary of significant accounting policies

The following describes the Group's updated financial instruments policy to reflect the adoption of HKFRS 9:

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

Except for those trade debtors that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- FVTPL

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTPL.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Adoption of HKFRS 9 *(continued)*

3.2.2 HKFRS 9 – Summary of significant accounting policies *(continued)*

Subsequent measurement of financial assets *(continued)*

Financial assets at amortised cost *(continued)*

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's debtors, deposits and other receivables, restricted cash, short-term bank deposits, long-term bank deposits and cash and bank balances fall into this category of financial instruments.

Financial assets at FVTPL

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

Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost.

For trade debtors, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade debtors.

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

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

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

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

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Adoption of HKFRS 9 *(continued)*

3.2.2 HKFRS 9 – Summary of significant accounting policies *(continued)*

Impairment of financial assets *(continued)*

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs

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

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

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Adoption of HKFRS 9 *(continued)*

3.2.2 HKFRS 9 – Summary of significant accounting policies (continued)

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under HKFRS 9 compared to HKAS 39, the Group's financial liabilities were not impacted by the adoption of HKFRS 9. However, for completeness, the accounting policy is disclosed below.

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges that are reported in profit or loss are included within finance costs.

3.3 Adoption of HKFRS 15

3.3.1 HKFRS 15 – Impact of adoption

HKFRS 15 deal with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in note 3.3.2 below.

Taking into account the changes in accounting policy arising from initial application of HKFRS 15, except for the recognition of contract liabilities, the directors of the Company considered the initial application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised for contracts from property development in the PRC in the respective reporting periods upon its initial adoption.

The Group recognises contract liabilities when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15. Contract liabilities recognised in relation to property development activities were previously presented as advance proceeds received from customers.

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(continued)*

3.3 Adoption of HKFRS 15 *(continued)*

3.3.2 HKFRS 15 – Summary of significant accounting policy

Revenue from sale of properties

Revenue is measured based on the consideration specified in a contract with a customer and recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

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

Rental income

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

Hotel operation income

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

Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

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

3. NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(continued)*

3.3 Adoption of HKFRS 15 *(continued)*

3.3.2 HKFRS 15 – Summary of significant accounting policy *(continued)*

Property management (continued)

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

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

Catering income

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

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.

Passenger transportation agency service

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

Sales of goods

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

Interest income

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

Provision for impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables on a forward looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-month expected credit losses. In marking the judgment, management considers available reasonable and supportive forwarding-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are update and changes in the forward-looking estimates are analysed by the Group's management.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

There have been no material changes in the risk management policies of the Group since year ended 31 December 2017.

5.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels 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).

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.2 Fair value estimation *(continued)*

The following table presents the Group's financial asset/(liability) that are measured at fair value as at 30 June 2018 and 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2018 (unaudited)				
Financial asset				
Financial assets at FVTPL	63,045	–	6,160,364	6,223,409
As at 31 December 2017 (audited)				
Financial asset				
Financial assets at FVTPL	96,467	–	–	96,467

During the six months ended 30 June 2018, there were no transfers between level 1, 2 and 3 during the period (31 December 2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the reporting date in which they occur.

5.3 Valuation technique used to derive level 1 fair values

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

5.4 Fair value measurements using significant unobservable inputs (level 3)

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

	Unaudited 30 June 2018 RMB'000
Fair value as at 31 December 2017 (calculated under HKAS 39) (audited)	–
Reclassify non-trading unlisted equity securities from available-for-sales financial assets and convertible bonds receivable to financial assets at FVTPL	4,442,124
Fair value changes	644,196
Fair value as at 1 January 2018 (calculated under HKFRS 9)	5,086,320
Additions	949,544
Disposals	(12,300)
Fair value changes	136,937
Exchange realignment	(137)
Fair value as at 30 June 2018 (unaudited)	6,160,364

Additions during the six months period ended 30 June 2018 mainly represented investment fund units in properties development in the PRC.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.4 Fair value measurements using significant unobservable inputs (level 3) *(continued)*

For the financial assets at FVTPL, RMB136,937,000 was included in "Other gain and (losses), net" in the condensed consolidated interim statement of profit or loss and other comprehensive income.

The fair value of financial assets at FVTPL are determined by using the market approach method. The valuation techniques and significant unobservable inputs of the financial assets at FVTPL are as follows:

Valuation techniques	Significant unobservable inputs	Range	Sensitivity relationship of unobservable inputs to fair value
Market approach method	Price to earnings ratios	7.64 to 15.89	Increase (decrease) in price earnings ratio would result in increase (decrease) in fair value
	Discount for lack of marketability	20%	Increase (decrease) in discount would result in (decrease) increase in fair value

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

5.5 Fair values of financial assets and liabilities carried at amortised cost

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 30 June 2018 and 31 December 2017 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	Unaudited 30 June 2018		Audited 31 December 2017	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Borrowings:				
– senior notes (note 19(d))	35,977,249	27,960,062	34,752,933	34,795,711

6. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company. The executive directors reviewed the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of sales of properties, rental income, property management services, hotel and catering operations, cinema, department store and cultural centre operations and water-way passenger and cargo transportation and regarded these being the reportable segments.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market 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 period consists of the following:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Sales of properties		
– Completed properties held for sale	13,984,832	5,787,764
– Proposed development project	–	2,079,641
Rental income	126,400	125,700
Property management services	201,814	172,614
Hotel and catering operations	105,441	45,380
Cinema, department store and cultural centre operations	107,184	99,832
Water-way passenger and cargo transportation	362,571	249,524
Others	139,546	26,347
	15,027,788	8,586,802

6. REVENUE AND SEGMENT INFORMATION *(continued)*

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2018 is as follows:

	Unaudited							
	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	13,984,832	169,341	448,980	117,682	115,408	366,470	484,859	15,687,572
Less: Inter-segment revenue	-	(42,941)	(247,166)	(12,241)	(8,224)	(3,899)	(345,313)	(659,784)
Revenue from external customers	13,984,832	126,400	201,814	105,441	107,184	362,571	139,546	15,027,788
Segment results before provisional gain on deemed disposal, fair value gain on investment properties and share of results of associates and joint ventures	3,604,922	71,183	46,325	(38,775)	(247,885)	171,636	(299,546)	3,307,860
Provisional gain on deemed disposal (note 26)	1,994,891	-	-	-	-	-	-	1,994,891
Share of results of associates (note 14(a))	(54,659)	-	-	-	-	-	(564)	(55,223)
Share of results of joint ventures (note 14(b))	32,732	-	-	-	-	-	502	33,234
Fair value gain on investment properties (note 13)	-	134,806	-	-	-	-	-	134,806
Segment results	5,577,886	205,989	46,325	(38,775)	(247,885)	171,636	(299,608)	5,415,568
Net fair value gain on financial assets at FVTPL (note 8)								103,515
Corporate and other unallocated expenses								(322,506)
Finance income								106,152
Finance costs								(730,108)
Finance costs - net (note 9)								(623,956)
Profit before income tax								4,572,621
Income tax expenses (note 10)								(2,340,530)
Profit for the period								2,232,091

6. REVENUE AND SEGMENT INFORMATION *(continued)*

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2017 is as follows:

	Unaudited							
	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	7,867,405	136,329	283,881	50,746	205,416	254,606	481,455	9,279,838
Less: Inter-segment revenue	-	(10,629)	(111,267)	(5,366)	(105,584)	(5,082)	(455,108)	(693,036)
Revenue from external customers	7,867,405	125,700	172,614	45,380	99,832	249,524	26,347	8,586,802
Segment results before fair value gain on investment properties and share of results of associates and joint ventures	2,483,533	74,255	43,014	(27,970)	(276,554)	106,680	18,126	2,421,084
Share of results of associates (note 14(a))	(1,408)	-	-	-	-	2,246	(32,656)	(31,818)
Share of results of joint ventures (note 14(b))	(633)	-	-	-	-	(8,569)	-	(9,202)
Fair value gain on investment properties (note 13)	-	1,320,415	-	-	-	-	-	1,320,415
Segment results	2,481,492	1,394,670	43,014	(27,970)	(276,554)	100,357	(14,530)	3,700,479
Fair value loss on financial derivatives								(321,816)
Corporate and other unallocated expenses								(132,353)
Finance income								57,486
Finance costs								(70,442)
Finance costs - net (note 9)								(12,956)
Profit before income tax								3,233,354
Income tax expenses (note 10)								(1,429,459)
Profit for the period								1,803,895

6. REVENUE AND SEGMENT INFORMATION *(continued)*

The segment assets and liabilities as at 30 June 2018 are as follows:

	Unaudited								
	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	396,985,700	40,365,400	2,673,000	3,072,158	2,366,120	17,843,214	99,462,482	(355,887,428)	206,880,646
Unallocated									7,695,355
Total assets									214,576,001
Segment liabilities	298,422,783	8,048,489	1,770,777	2,694,135	3,098,373	16,539,725	80,068,853	(304,130,933)	106,512,202
Unallocated									75,791,239
Total liabilities									182,303,441

The segment assets and liabilities as at 31 December 2017 are as follows:

	Audited								
	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	339,842,097	37,616,411	1,553,818	2,964,885	2,484,709	17,386,862	87,274,219	(281,092,295)	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	69,895,423	(239,811,698)	109,160,968
Unallocated									74,229,049
Total liabilities									183,390,017

6. REVENUE AND SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2018, none of the Group's customer accounted for more than 10% of the Group's total revenue. For the six months ended 30 June 2017, the Group's largest 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.

There is no change in the basis of segmentation or basis of measurement of segment profit or loss for the six months ended 30 June 2018.

Segment assets consist primarily of all assets excluding financial assets at FVTPL, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of all liabilities excluding deferred tax liabilities, income tax payable and corporate borrowings.

7. EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Auditor's remuneration	2,500	1,900
Advertising and other promotional costs	165,079	88,297
Agency fee	93,001	27,192
Amortisation of land use rights (note 13)	6,112	736
Amortisation of intangible assets (note 16)	88,773	56,072
Bank charges	21,197	30,155
Business taxes/value-added taxes	138,037	174,287
Cost of properties sold	9,527,356	4,993,411
Depreciation (note 13)	84,907	50,474
Direct operating expenses arising from		
- Investment properties	18,310	6,609
- Property management service	100,854	104,984
- Hotel and catering operations	32,674	16,203
- Cinema, department store and cultural centre operations	143,224	41,090
- Water-way passenger and cargo transportation	223,730	142,528
Donations	45,358	628
Entertainment	32,843	22,504
Legal and professional fees	88,057	72,611
Office expenses	71,154	50,951
Operating lease rental	31,250	20,395
Others	270,581	207,231
Staff costs - including directors' emoluments	848,583	658,041
Travelling	21,043	11,988
	12,054,623	6,778,287

8. OTHER GAINS AND (LOSSES) – NET

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Bad debt recovery of other receivable	-	450,000
Dividend income from		
– listed available-for-sale financial assets	-	11
– unlisted available-for-sale financial assets	-	22,214
– financial assets at FVTPL	21,162	-
Forfeited customer deposits	3,484	6,442
Government subsidy income (note)	357,581	30,278
Net gain on repurchase of senior notes (note 19(d))	142,745	-
Provision for expected credit loss (note 15(c))	(129,679)	-
Net fair value gain on financial assets at FVTPL (note 6)	103,515	2,474
Net (loss)/gain on disposal of property, plant and equipment	(261)	416
Others	8,616	(4,024)
Write-down of completed properties held for sale and properties under development	(390,962)	(17,765)
Write off of intangible assets (note 16)	(497)	(9,830)
	115,704	480,216

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 subsidy.

9. FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Finance income		
Interest income		
– third parties	69,822	57,486
– associates	36,330	–
	106,152	57,486
Finance costs		
Interest expense:		
– Bank and other borrowings	2,922,589	2,359,897
– Senior notes (note 19(d))	1,436,760	954,992
– Convertible bonds	–	99,873
	4,359,349	3,414,762
Total interest expenses	(4,048,415)	(2,912,061)
Less: interests capitalised (note)		
	310,934	502,701
Net exchange losses/(gains)	419,174	(432,259)
	730,108	70,442
Finance costs – net	(623,956)	(12,956)

Note: The capitalisation rate of borrowings is 12.82% (2017: 13.15%) for the period.

10. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Current income tax		
– PRC enterprise income tax	1,373,948	851,949
– PRC land appreciation tax	914,620	247,407
Deferred tax	51,962	330,103
	2,340,530	1,429,459

Income tax expense for the six months ended 30 June 2018 and 2017 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Cayman Islands income tax

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 Cayman Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax was provided for the six months ended 30 June 2018 and 2017 as the Group has no assessable profits arising in or derived from Hong Kong for the periods.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (Six months ended 30 June 2017: 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the condensed consolidated interim statement of profit or loss and other comprehensive income as income tax.

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	1,704,082	1,890,586
Weighted average number of ordinary shares in issue	6,064,446,329	5,136,367,766
Basic earnings per share (RMB)	0.281	0.368

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of RMB1,704,082,000 (unaudited) (Six months ended 30 June 2017: RMB1,890,586,000 (unaudited)) and the weighted average number of 6,064,446,329 (Six months ended 30 June 2017: 5,136,367,766) ordinary shares, after adjusting for the issue of shares on exercise of share options during the period.

(b) Diluted

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	1,704,082	1,890,586
Weighted average number of ordinary shares in issue	6,064,446,329	5,136,367,766
Effect of issue of shares under adjustment for share option scheme	107,993,528	21,043,365
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	6,172,439,857	5,157,411,131
Diluted earnings per share (RMB)	0.276	0.367

Diluted earnings per share for the six months ended 30 June 2018 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion or exercise of all dilutive potential ordinary shares (share options).

11. EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

The Company's dilutive potential ordinary shares consist of share option. 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 semi-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.

12. DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Dividends declared during the period:		
2018 interim – HK\$0.03 (2017: nil) per share	153,530	–
Dividends recognised during the period:		
2017 final – HK\$0.118 (2017: nil) per share	603,729	–

A final dividend in respect of the year ended 31 December 2017 of RMB9.95 cents (equivalent to HK11.8 cents) per share with a scrip dividend alternative was approved at the annual general meeting on 11 June 2018. The aggregate amount of final dividend declared from share premium of the Company amounted to approximately RMB603,729,000 (equivalent to HK\$716,082,000).

The Board recommended to declare an interim dividend of RMB2.53 cents (equivalent to HK3.0 cents) for the six months ended 30 June 2018. The aggregate amount of interim dividend declared from share premium of the Company amounted to approximately RMB153,530,000 (equivalent to HK\$182,102,000) (Six months ended 30 June 2017: nil). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting. These condensed consolidated interim financial information do not reflect this dividend payable.

13. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND LAND USE RIGHTS

	Unaudited		
	Property, plant and equipment RMB'000	Investment properties RMB'000 (note)	Land use rights RMB'000
Six months ended 30 June 2018			
Opening net carrying amount as at 1 January 2018 (audited)	2,551,580	32,025,830	395,815
Acquisitions of subsidiaries (note 25(b))	346	-	-
Additions	90,781	1,315,464	-
Transfer from completed properties held for sales	263,565	-	10,018
Amortisation (note 7)	-	-	(6,112)
Depreciation (note 7)	(84,907)	-	-
Deemed disposal of subsidiaries (note 26)	(1,089)	-	-
Disposals	(261)	-	-
Increase in fair value	-	134,806	-
Exchange realignment	1,388	-	-
Closing net carrying amount as at 30 June 2018 (unaudited)	2,821,403	33,476,100	399,721

	Unaudited		
	Property, plant and equipment RMB'000	Investment properties RMB'000 (note)	Land use rights RMB'000
Six months ended 30 June 2017			
Opening net carrying amount as at 1 January 2017 (audited)	1,087,064	30,690,680	163,178
Acquisitions of subsidiaries	2,007	-	-
Additions	74,654	1,689,293	-
Transfer from completed properties held for sales	-	932,202	-
Amortisation (note 7)	-	-	(736)
Depreciation (note 7)	(50,474)	-	-
Disposals	(1,258)	-	-
Increase in fair value	-	1,320,415	-
Exchange realignment	(2,526)	-	-
Closing net carrying amount as at 30 June 2017 (unaudited)	1,109,467	34,632,590	162,442

Notes:

The fair value of the Group's investment properties in the PRC had been arrived at on the basis of valuation carried out on that date by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer. For all investment properties, their current use equates to the highest and best use.

13. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND LAND USE RIGHTS *(continued)*

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of commercial properties under development are generally derived using the combination of direct comparison method by making reference to the comparable market transactions as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

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

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

	Unaudited 30 June 2018		Audited 31 December 2017	
	Commercial	Carpark	Commercial	Carpark
Capitalisation rate	3.0%-6.5%	6.5%	3.0%-6.0%	4.5%
Expected vacancy rate	0.0%-10.0%	N/A	0.0%-10.0%	N/A
Monthly rental	RMB20-587 per sq. m.	RMB2,500 per number	RMB56-574 per sq. m.	RMB2,400 per number

13. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND LAND USE RIGHTS *(continued)*

Valuation techniques *(continued)*

Fair value measurements using significant unobservable inputs (continued)

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

Fair values of commercial properties under development are generally derived using the combination of direct comparison method by making reference to the comparable market transactions for the land portion as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Significant inputs used to determine fair value

	Unaudited 30 June 2018	Audited 31 December 2017
Interest rate	4.35%-4.75%	4.75%
Estimated costs to complete (RMB/sq. m.)	680-7,000	2,500-9,500
Anticipated developer's profit margin	10.0%-20.0%	10.0%-20.0%

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

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 reporting 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 30 June 2018 and 31 December 2017, the fair value measurement of the Group's investment properties are categorised at level 3. During the six months ended 30 June 2018 and 2017, there were no transfer into or out of level 3.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(a) Investments in associates

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Cost of investments in associates, less accumulated impairment		
– Listed	2,678,941	2,677,741
– Unlisted	2,804,200	2,620,207
Share of post-acquisition loss and other comprehensive loss, net of dividend received	(56,018)	(13,113)
	5,427,123	5,284,835

Movements of investments in associates during the six months ended 30 June 2018 are as follows:

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
At 1 January	5,284,835	1,331,121
Additions	49,877	–
Transfer from subsidiary (note 26)	20,004	–
Capital injection to associates	127,630	14,000
Disposals	–	(12,885)
Share of results of associates	(55,223)	(31,818)
At 30 June	5,427,123	1,300,418

Note: The Group's short-term bank deposits of RMB1,000,000,000 (unaudited) (31 December 2017: nil) was pledged for the borrowings of the associate of the Group.

(b) Investments in joint ventures

Movements of investments in joint ventures during the six months ended 30 June 2018 are as follows:

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Unlisted investments		
At 1 January	6,818,118	931,751
Additions	30,600	9,998
Transfer from subsidiaries (note 26)	631,270	–
Capital injection to joint ventures	500	–
Disposal	–	(800)
Share of results of joint ventures	33,234	(9,202)
At 30 June	7,513,722	931,747

15. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Trade receivables – net (note a)	730,837	1,964,390
Other receivables (note b)	5,409,644	2,268,769
Other deposits (note b)	2,292,642	3,979,177
Prepayments (note d)	2,982,047	2,531,677
Prepaid other taxes	1,869,045	1,293,895
Restricted deposit for borrowings from non-financial institution (note b)	1,960,203	1,960,203
Amounts due from associates (note b)	3,653,657	20,498
Amounts due from joint ventures (note b)	1,041,434	879,210
Amounts due from non-controlling interest of a subsidiary (note b)	226,283	50,718
	19,434,955	12,984,147
Less: allowance for impairment (note c)	(376,062)	–
Deposits, prepayment and other receivables – net	19,058,893	12,984,147
Total debtors, deposits and other receivables – net	19,789,730	14,948,537
Less: non-current portion		
Other receivables (note b(i))	(159,000)	(584,880)
Other deposits	(307,828)	(238,980)
Non-current portion	(466,828)	(823,860)
Current portion	19,322,902	14,124,677

15. DEBTORS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Notes:

- (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 based on contractual terms as at the respective reporting dates is as follows:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Within 90 days	643,336	240,801
91–180 days	18,301	10,512
181–270 days	9,858	1,612,128
271–365 days	1,929	1,006
Over 365 days	64,862	99,943
	738,286	1,964,390
Less: allowance for impairment (note c)	(7,449)	–
	730,837	1,964,390

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2018, a provision of RMB7,449,000 (unaudited) was made against the gross amount of trade receivables (31 December 2017 (audited): nil).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The receivable from sale of proposed development project was repayable within 180 days from the agreement date.

15. DEBTORS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

(b) Details of deposits and other receivables are as follows:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Other receivables (note (i))	5,409,644	2,268,769
Other deposits (note (ii))	2,292,642	3,979,177
Restricted deposit for borrowings from non-financial institution (note (iii))	1,960,203	1,960,203
Amounts due from associates (note (iv))	3,653,657	20,498
Amounts due from joint ventures (note (v))	1,041,434	879,210
Amount due from non-controlling interest of a subsidiary (note (v))	226,283	50,718
	14,583,863	9,158,575
Less: allowance for impairment (note c)	(376,062)	-
Deposits and other receivables – net	14,207,801	9,158,575

(i) Deposits and other receivables mainly included deposits, 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 30 June 2018, there are amounting to RMB2,019,905,000 (unaudited) (31 December 2017 (audited): RMB895,256,000) are unsecured, carry at interest rates ranging from 3.8% to 18% (31 December 2017 (audited): 3.8% – 12.5%) per annum and repayable in the next 12 months.

Included in advances to third parties, those which are repayable over 1 year amounting to RMB159,000,000 (unaudited) (31 December 2017 (audited): RMB584,880,000) are classified as non-current assets.

(ii) Other deposits represented deposits for acquisition of a subsidiary amounted to RMB144,402,000 (unaudited) (31 December 2017 (audited): RMB144,402,000), acquisition of an associate amounted to RMB307,828,000 (unaudited) (31 December 2017 (audited): RMB238,980,000), refundable deposit to redevelopment project partner for the purpose of the project amounted to RMB582,258,000 (unaudited) (31 December 2017 (audited): RMB2,940,376,000) and other deposits amounted to RMB1,258,154,000 (unaudited) (31 December 2017 (audited): RMB655,419,000).

(iii) The amount represented restricted deposit for borrowings from non-financial institution.

(iv) The amounts are unsecured, carry at interest rate of 12% (31 December 2017 (audited): 12%) per annum and repayable in the next 12 months.

(v) The amounts are unsecured, interest-free and repayable on demand.

15. DEBTORS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

- (c) Impairment losses in respect of debtors, deposits and other receivables (excluding prepayments) are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against debtors, deposits and other receivables (excluding prepayments) directly. The movement in the allowance for impairment of debtors, deposits and other receivables (excluding prepayments) is as follows:

	Trade receivables RMB'000 (note a)	Deposits and other receivables (excluding prepayments) RMB'000 (note b)	Total RMB'000
Closing loss allowance as at 31 December 2017 (audited)	–	–	–
Adoption of HKFRS 9	27,915	225,917	253,832
Opening loss allowance as at 1 January 2018	27,915	225,917	253,832
Provision for loss allowance recognised in profit or loss during the period (note 8)	(20,466)	150,145	129,679
Closing loss allowance as at 30 June 2018 (unaudited)	7,449	376,062	383,511

As at 30 June 2018, the gross carrying amount of debtors, deposits and other receivables (excluding prepayments) was RMB15,322,149,000 (unaudited) and thus the maximum exposure to loss was RMB14,938,638,000 (unaudited). The Group made no write-off of debtors, deposits and other receivables (excluding prepayments) during the period.

- (d) Prepayments mainly represented prepayments of purchase of construction of materials and services.
- (e) Except for the restricted deposit for borrowings from non-financial institution amounting to RMB1,960,203,000 (unaudited) (31 December 2017 (audited): RMB1,960,203,000) are denominated in United State dollars ("US\$"), the carrying amounts of the Group's receivables are mainly denominated in Renminbi.

16. GOODWILL AND INTANGIBLE ASSETS

	Unaudited							Total RMB'000
	Goodwill	Contracts with sports players	Trademarks and patent	Customer relationship	Technology	Distribution network	Others	
	RMB'000 (note i)	RMB'000 (note ii)	RMB'000 (note ii)	RMB'000 (note ii)	RMB'000 (note ii)	RMB'000 (note ii)	RMB'000 (note ii)	
Six months ended 30 June 2018								
Net carrying amount as at 1 January 2018 (audited)	332,379	276,823	23,600	59,700	8,440	497,400	7,895	1,206,237
Additions	-	46,422	-	-	-	-	-	46,422
Written off	-	(497)	-	-	-	-	-	(497)
Amortisation-expensed in administrative expenses (note 7)	-	(58,964)	(1,073)	(4,264)	(1,206)	(22,609)	(657)	(88,773)
Net carrying amount as at 30 June 2018 (unaudited)	332,379	263,784	22,527	55,436	7,234	474,791	7,238	1,163,389

	Unaudited		Total RMB'000
	Goodwill RMB'000 (note i)	Contracts with sports players RMB'000 (note ii)	
Six months ended 30 June 2017			
Net carrying amount as at 1 January 2017 (audited)	121,779	96,019	217,798
Additions	-	264,031	264,031
Written off	-	(9,830)	(9,830)
Amortisation-expensed in administrative expenses (note 7)	-	(56,072)	(56,072)
Net carrying amount as at 30 June 2017 (unaudited)	121,779	294,148	415,927

Notes:

- (i) For the six months ended 30 June 2018, 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.; (iii) Qijia Internet Technology Co. Ltd.; (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 six months ended 30 June 2017, the Group's goodwill arose from business combinations in connection with the acquisition of Shanghai Yitao Group and Shenzhen Football Club.

- (ii) The above intangible assets have finite useful lives. The summary of useful lives are as follows:

Contracts with sports players	2-5 years
Trademarks and patent	11 years
Customer relationship	7 years
Technology	3.5 years
Distribution network	11 years
Other intangible asset	6 years

17. 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 and investment properties when the rights to use the lands have been obtained.

18. CONTRACT LIABILITIES/ADVANCE PROCEEDS RECEIVED FROM CUSTOMERS AND DEPOSITS RECEIVED

The amount of RMB34,372,036,000 (unaudited) (31 December 2017 (audited): RMB29,564,933,000) represents deposits and installments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

19. BORROWINGS

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Borrowings included in current liabilities:			
Bank borrowings – secured	(a)	4,073,652	6,824,887
Bank borrowings – unsecured	(a)	1,278,000	1,606,325
Other borrowings – secured	(a)	6,540,455	6,255,979
Other borrowings – unsecured	(a)	5,370,430	6,273,065
Loan from a related company	(b)	108,781	108,781
Loans from associates	(c)	933,550	1,104,000
		18,304,868	22,173,037
Borrowings included in non-current liabilities:			
Senior Notes	(d)	35,977,249	34,752,933
Bank borrowings – secured	(a)	36,721,749	36,469,412
Bank borrowings – unsecured	(a)	1,956,830	2,442,000
Other borrowings – secured	(a)	16,260,957	14,905,519
Other borrowings – unsecured	(a)	400,000	307,086
Loans from associates	(c)	–	123,200
		91,316,785	89,000,150
Total borrowings		109,621,653	111,173,187

19. BORROWINGS (continued)

Notes:

(a) Bank and other borrowings

The Group's bank and other borrowings of RMB63,596,813,000 (unaudited) (31 December 2017 (audited): RMB64,455,797,000) were jointly secured by certain properties, investment properties, land use rights, properties under development, completed properties held for sales of the Group and certain shares of Group's subsidiaries.

The pledged assets for the Group's bank and other borrowings are as follows:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Property, plant and equipment	1,132,032	590,673
Investment properties	18,907,898	15,410,689
Land use rights	272,942	287,829
Properties under development	38,819,675	35,769,533
Completed properties held for sale	6,806,595	12,786,413
Short-term bank deposits	-	1,021,949
Restricted cash	5,528,129	4,136,943
Restricted deposit	1,960,203	1,960,203
	73,427,474	71,964,232

The Group's bank and other borrowings are guaranteed by certain subsidiaries of the Group:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	56,576,278	56,584,662
– guaranteed and unsecured by the Group's assets	6,024,438	6,110,830
	62,600,716	62,695,492

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

(b) Loan from a related company

The amount due is unsecured, carrying interest rate at 12.0% (31 December 2017 (audited): 12.0%) per annum and repayable in November 2018. The related company is controlled by a substantial shareholder of the Company.

(c) Loans from associates

Loans from associates amounted to RMB933,550,000 (unaudited) (31 December 2017 (audited): RMB1,104,000,000) are unsecured, carry interest rates ranging from 4.35% to 12.5% (31 December 2017 (audited): 4.35% to 12.5%) per annum and repayable within one year. As at 31 December 2017, the balance of RMB123,200,000 (audited) are unsecured, carry interest rate at 10.0% per annum and repayable in April to June 2019.

19. BORROWINGS *(continued)*

Notes: *(Continued)*

(d) Senior notes

	Audited 31 December 2017	New issuance	Repurchase	Unaudited 30 June 2018
Par value				
2020 Notes (US\$'000)	460,000	330,000	-	790,000
2021 Notes (US\$'000)	325,000	-	-	325,000
2022 Notes (US\$'000)	1,255,000	-	(108,000)	1,147,000
2024 Notes (US\$'000)	3,119,000	-	(67,500)	3,051,500
Total (US\$'000)	5,159,000	330,000	(175,500)	5,313,500
Amortised cost (US\$'000)	5,020,993			5,148,814
Par value				
2019 Notes (HK\$'000)	2,325,000	-	-	2,325,000
Amortised cost (HK\$'000)	2,326,546			2,326,068
Total amortised cost (RMB'000)	34,752,933			35,977,249

On 30 June 2017, the Company completed an exchange offer (the "Exchange Offer") totalling US\$2,657,937,000 of the Senior Notes Series A-E were exchanged for 7.25% senior notes due 2020 (the "2020 Notes"), 7.875% senior notes due 2021 (the "2021 Notes"), 8.50% senior notes due 2022 (the "2022 Notes") and 9.375% senior notes due 2024 (the "2024 Notes") (together with the 2020 Notes, the 2021 Notes and the 2022 Notes, the "Senior Notes"). During the year ended 31 December 2017, the Company issued additional Senior Notes with an aggregate principal amount of US\$2,501,063,000 (equivalent to RMB18,353,584,000).

On 22 December 2017, the Company issued 6.1% senior notes due 2019 (the "2019 Notes") with an aggregate principal amount of HK\$2,325,000,000 (equivalent to approximately RMB1,943,000,000).

In April 2018, the Company issued additional 2020 Notes with an aggregate principal amount of US\$330,000,000 (equivalent to RMB2,075,073,000).

During the six months period ended 30 June 2018, the Company repurchased US\$108,000,000 of the 2022 Notes and US\$67,500,000 of the 2024 Notes, resulted a gain of approximately RMB142,745,000 (note 8).

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.

19. BORROWINGS *(continued)*

Notes: *(Continued)*

(d) Senior notes *(continued)*

The effective interest rates of the above senior notes range from 6.05% to 10.99% per annum after the adjustment for transaction costs.

The 2020 Notes, the 2021 Notes, the 2022 Notes and the 2024 Notes are listed on the Singapore Exchange Securities Trading Limited.

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

The movement of the senior notes is as follow:

	Unaudited RMB'000
Six months ended 30 June 2018	
Carrying amount as at 1 January 2018 (audited)	34,752,933
Accrued interests (note 9)	1,436,760
Interests paid	(1,580,180)
Senior notes recognised	2,075,073
Transaction costs	(73,668)
Repurchase of senior notes	(1,146,752)
Exchange difference	513,083
Carrying amount as at 30 June 2018 (unaudited)	35,977,249

20. OTHER PAYABLES

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Other payables and accruals (note a)	6,165,195	6,248,743
Accrued interest	1,227,593	1,605,623
Accrued staff costs	275,734	258,782
Bills payables	469,039	213,030
Compensation payable	–	154,048
Consideration payables related to acquisitions of subsidiaries	1,228,892	2,731,979
Consideration payables related to acquisitions of associate	–	757,937
Consideration payables related to acquisitions of joint venture	1,105,600	1,100,000
Consideration payables related to acquisitions of available-for-sale financial assets	–	2,011,935
Consideration payables related to acquisitions of financial assets at FVTPL	1,521,772	–
Deed tax and other taxes payables	783,379	897,896
Deposits received	193,859	198,391
Deposits received for land acquisition	500,000	–
Dividend payable	603,729	–
Amounts due to associates (note b)	1,353,732	925,721
Amounts due to joint ventures (note b)	326,386	–
Amounts due to non-controlling interests of subsidiaries (note b)	149,530	315,697
	15,904,440	17,419,782
Less: non-current portion		
Other payables and accruals	–	(104,171)
Current portion	15,904,440	17,315,611

Notes:

- (a) Other payables and accruals mainly included deposits received from construction companies, accrued operating expenses and advance from third parties for operations and amounts due to former shareholders in relation to newly acquired subsidiaries which are interest-free, unsecured and repayable on demand.
- (b) The amounts due are unsecured, interest-free and repayable on demand.
- (c) The carrying amounts of other payables are denominated in RMB and approximate to their fair value.

21. SHARE CAPITAL AND SHARE PREMIUM

	Unaudited				
	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
Six months ended 30 June 2018					
Balance as at 1 January 2018 (audited)	6,063,730,329	606,373	532,865	6,913,069	7,445,934
Issue of shares upon exercise of share options	5,163,000	516	414	8,780	9,194
2017 final dividend declared (note 12)	-	-	-	(603,729)	(603,729)
Balance as at 30 June 2018 (unaudited)	6,068,893,329	606,889	533,279	6,318,120	6,851,399
Six months ended 30 June 2017					
Balance as at 1 January 2017 (audited)	5,135,427,910	513,543	450,450	4,253,704	4,704,154
Issue of shares upon exercise of share options	2,124,000	212	190	3,903	4,093
Balance as at 30 June 2017 (unaudited)	5,137,551,910	513,755	450,640	4,257,607	4,708,247

Note: During the six months ended 30 June 2018, 5,163,000 (unaudited) (Six months ended 30 June 2017: 2,124,000 (unaudited)) shares were issued upon exercise of share options. Total proceeds were HK\$8,144,500 (equivalent to RMB6,527,000) (unaudited) (Six months ended 30 June 2017: HK\$4,596,000 (equivalent to RMB4,093,000) (unaudited)). The weighted average share price at the time of exercise was HK\$4.24 (30 June 2017: HK\$2.75 (unaudited) per share). The related transactions costs were deducted from the proceeds received.

22. RESERVES

	Unaudited							
	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance as at 1 January 2018 (audited)	382	23,243	959,537	167,972	(482,766)	-	10,973,620	11,641,988
Adjustment on adoption of HKFRS 9, net of tax (note 3.1)	-	-	-	-	-	-	299,998	299,998
Restated balance as at 1 January 2018	382	23,243	959,537	167,972	(482,766)	-	11,273,618	11,941,986
Profit for the period	-	-	-	-	-	-	1,704,082	1,704,082
Other comprehensive income for the period	-	8,505	-	-	-	-	-	8,505
Total comprehensive income for the period	-	8,505	-	-	-	-	1,704,082	1,712,587
Issue of shares upon exercise of share options	-	-	-	(2,667)	-	-	-	(2,667)
Share-based payments	-	-	-	116,458	-	-	-	116,458
Share options lapsed	-	-	-	(8,366)	-	-	8,366	-
Balance as at 30 June 2018 (unaudited)	382	31,748	959,537	273,397	(482,766)	-	12,986,066	13,768,364
Balance as at 1 January 2017 (audited)	382	24,835	913,598	54,369	(487,047)	3,292	7,732,544	8,241,973
Profit for the period	-	-	-	-	-	-	1,890,586	1,890,586
Other comprehensive loss for the period	-	(8,622)	-	-	-	-	-	(8,622)
Total comprehensive (loss)/income for the period	-	(8,622)	-	-	-	-	1,890,586	1,881,964
Issue of shares upon exercise of share options	-	-	-	(1,114)	-	-	-	(1,114)
Share-based payments	-	-	-	1,602	-	-	-	1,602
Share options lapsed	-	-	-	(1,885)	-	-	1,885	-
Balance as at 30 June 2017 (unaudited)	382	16,213	913,598	52,972	(487,047)	3,292	9,625,015	10,124,425

22. 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 yearend 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 register capital.

For Chinese-foreign entities, in accordance with the Law of the PRC on Chinese-foreign Equity Joint Ventures, the percentage of profits to be appropriated to the Statutory Reserves are solely determined by the Board of Directors of these foreign investment enterprises.

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the companies' articles of association, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

- (c) Share option reserve represents value of employee services in respect of share options granted under the Share Option Scheme (note 27).
- (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.

23. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at the reporting dates:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	30,013,750	30,094,885

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

24. COMMITMENTS

(a) Commitments for property development expenditures and acquisitions of subsidiaries and associate

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Contracted but not provided for		
– Acquisition of land use rights and property development activities	38,654,545	31,849,843
– Acquisitions of subsidiaries	996,198	834,598
– Acquisition of associate	1,879,002	1,947,851
	41,529,745	34,632,292

24. COMMITMENTS *(continued)*

(b) Operating lease commitments

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Not later than one year	103,374	46,920
Later than one year and not later than five years	253,009	91,077
Later than five years	320,112	70,055
	676,495	208,052

(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:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Not later than one year	237,871	209,090
Later than one year and not later than five years	813,672	569,683
Later than five years	255,590	193,586
	1,307,133	972,359

25. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisitions of assets

During the six months ended 30 June 2018, the Group acquired certain property development companies at total consideration of RMB189,455,000. These companies did not operate any business prior to the acquisitions and only had properties under development. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of properties under development.

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.

25. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(a) Acquisitions of assets *(continued)*

The aggregate balances of identifiable assets and liabilities arising from these acquisitions as at their respective acquisition date are as follows:

	2018 RMB'000
Properties under development	472,627
Debtors, deposits and other receivables	21
Cash and bank balances	7,252
Other payables	(240,219)
Total identifiable net assets	239,681
Less: non-controlling interests	(50,226)
Identifiable net assets acquired	189,455
Purchase consideration settled in cash	189,455
Cash and bank balances in subsidiaries acquired	(7,252)
Cash outflow on acquisition of subsidiaries	182,203

25. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(b) Acquisitions of businesses

During the six months ended 30 June 2018, the Group acquired controlling interests in certain PRC companies which engaged in insurance, plantation and wholesale of tea products and catering businesses to diversify their business. The directors were of the view that the acquisition constitutes acquisition of businesses.

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 consideration paid for the acquisitions, the aggregate amounts of fair value of the assets acquired and liabilities assumed at the acquisition date.

	2018 RMB'000
Property, plant and equipment (note 13)	346
Inventory	60
Debtors, deposits and other receivables	29,069
Cash and bank balances	1,229
Other payables	(2,304)
Borrowings	(2,900)
Total identifiable net assets	25,500
Less: non-controlling interests	(1,200)
Identifiable net assets acquired	24,300
Total purchase consideration: – settled in cash during the period	24,300
Purchase consideration settled in cash	24,300
Cash and bank balances in subsidiaries acquired	(1,229)
Cash outflow on acquisition of subsidiaries	23,071

The acquired companies contributed revenues of RMB5,947,000 and net loss of RMB366,000 to the Group for the period from the respective acquisition dates. If the acquisitions had occurred on 1 January 2018, the Group's consolidated revenue and consolidated profit for the period would have been increased by RMB6,543,000 and decreased by RMB2,979,000 respectively.

26. DEEMED DISPOSALS OF SUBSIDIARIES

During the six months ended 30 June 2018, the Group entered into cooperation agreements and capital injection agreement with a number of investors for the capital injection of certain subsidiaries. Upon the capital injection, the Group's equity interests in certain subsidiaries have been diluted from 100% to 49% and 41%. These subsidiaries were engaged in investment holding and holding property redevelopments projects in Shenzhen and property developments located in Guangzhou and Foshan.

Upon completion of the deemed disposal, these companies ceased to be subsidiaries of the Group and were then accounted for as joint ventures and associate of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in joint ventures and associate.

The following table summarises the net assets of the subsidiaries disposed of during the current period and the financial impacts are summarised as follows:

	Total RMB'000
Net assets disposed of:	
Properties under development	14,237,553
Completed properties held for sale	3,620,253
Prepayments for proposed development projects	68,286
Cash and bank balances	2,572,394
Contract liabilities	(5,922,487)
Other net liabilities	(6,195,925)
Borrowings	(9,632,137)
Non-controlling interest	(91,554)
	<hr/>
	(1,343,617)
Provisional gain on disposals of subsidiaries	1,994,891
	<hr/>
	651,274
	<hr/>
Satisfied by:	
Fair value of the 49% equity interest in an associate (note 14(a))	20,004
Fair values of the 49% and 41% equity interests in joint ventures (note 14(b))	631,270
	<hr/>
	651,274
	<hr/>
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	(2,572,394)
	<hr/>

Note: The fair value was determined by management with reference to the valuation reports for the underlying assets. As at 30 June 2018, the fair value of the underlying assets has been determined on a provisional basis, awaiting the finalised professional valuation. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

* The english translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in chinese.

27. 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; and (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:

	Unaudited			
	30 June 2018		30 June 2017	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January (audited)	3.339	470,514,000	1.674	107,468,000
Granted during the period	4.354	63,000,000	-	-
Exercised during the period	1.577	(5,163,000)	2.000	(2,124,000)
Lapsed during the period	3.465	(11,474,000)	1.500	(1,318,000)
At 30 June (unaudited)	3.477	516,877,000	1.678	104,026,000

As at 30 June 2018, 109,677,000 (30 June 2017: 101,626,000) outstanding options granted under the Share Option Scheme were exercisable (note).

27. SHARE OPTION *(continued)*

Share Option Scheme *(continued)*

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

Exercise period	Exercise price per share HK\$	Number of share options	
		30 June 2018	30 June 2017
10/6/2010-24/4/2022	3.105	5,350,000	–
30/3/2011-24/4/2022	3.105	8,250,000	–
24/4/2012-23/4/2022	3.105	8,500,000	–
23/7/2011-22/7/2020	2.000	3,360,000	3,620,000
23/7/2012-22/7/2020	2.000	3,360,000	3,620,000
23/7/2013-22/7/2020	2.000	3,560,000	3,820,000
23/7/2014-22/7/2020	2.000	4,160,000	4,420,000
23/7/2015-22/7/2020	2.000	8,977,000	8,220,000
6/6/2013-5/6/2022	1.500	4,169,000	4,718,000
6/6/2014-5/6/2022	1.500	5,370,000	5,856,000
6/6/2015-5/6/2022	1.500	15,923,000	21,094,000
6/6/2016-5/6/2022	1.500	16,838,000	21,308,000
6/6/2017-5/6/2022	1.500	17,060,000	21,350,000
21/2/2015-20/2/2024	2.610	1,200,000	1,200,000
21/2/2016-20/2/2024	2.610	1,200,000	1,200,000
21/2/2017-20/2/2024	2.610	1,200,000	1,200,000
21/2/2018-20/2/2024	2.610	1,200,000	1,200,000
21/2/2019-20/2/2024	2.610	1,200,000	1,200,000
19/7/2018-18/7/2027	3.550	59,000,000	–
19/7/2019-18/7/2027	3.550	59,000,000	–
19/7/2020-18/7/2027	3.550	59,000,000	–
19/7/2021-18/7/2027	3.550	118,000,000	–
22/09/2018-21/9/2027	6.660	4,000,000	–
22/09/2019-21/9/2027	6.660	4,000,000	–
22/09/2020-21/9/2027	6.660	4,000,000	–
22/09/2021-21/9/2027	6.660	8,000,000	–
29/11/2018-28/11/2027	4.370	5,600,000	–
29/11/2019-28/11/2027	4.370	5,600,000	–
29/11/2020-28/11/2027	4.370	5,600,000	–
29/11/2021-28/11/2027	4.370	11,200,000	–
3/4/2019-2/4/2028	4.320	4,000,000	–
3/4/2020-2/4/2028	4.320	4,000,000	–
3/4/2021-2/4/2028	4.320	4,000,000	–
3/4/2022-2/4/2028	4.320	8,000,000	–
12/6/2019-11/6/2028	4.370	8,600,000	–
12/6/2020-11/6/2028	4.370	8,600,000	–
12/6/2021-11/6/2028	4.370	8,600,000	–
12/6/2022-11/6/2028	4.370	17,200,000	–
		516,877,000	104,026,000

27. SHARE OPTION *(continued)*

Share Option Scheme *(continued)*

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.

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\$0.10 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 share options on 22 September 2017 and 29 November 2017 respectively of HK\$0.10 each in the capital of the Company.

On 3 April 2018, the Company offered to grant to Mr. Zhang Jiangjun, a director of the Company (the "April 2018 Grant") of 20,000,000 share options of HK\$0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "June 2018 Grant") of 43,000,000 shares options on 11 June 2018 of HK\$0.1 each in the capital of the Company.

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

	March 2010 Grant	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant	July 2017 Grant	September 2017 Grant	November 2017 Grant	April 2018 Grant	June 2018 Grant
Fair value under binomial 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	HK\$ 37,218,000	HK\$ 77,023,000
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	HK\$4.31	HK\$4.35
Exercise price	HK\$3.105	HK\$2.00	HK\$1.50	HK\$2.61	HK\$2.84	HK\$3.55	HK\$6.66	HK\$4.37	HK\$4.32	HK\$4.37
Annual risk free interest rate	1.82%–2.33%	2.29%	1.04%	2.30%	1.94%	2.05%	2.01%	2.23%	2.64%	2.93%
Expected volatility	40%	40%	44%	45%	43%	43%	43%	44%	44%	44%
Expected option life	5-7 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected divided yield	Nil	Nil	Nil	6.0%	5.0%	Nil	Nil	Nil	2.5%	2.5%

28. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these condensed consolidated interim financial information during the period, the Group had the following transactions with its related parties:

(a) Name and relationship with related parties

Controlling shareholder

Mr. Kwok Ying Shing

A related company, a company controlled by a substantial shareholder of the Company

Shenzhen Fund Resources Investment Holding Limited* (“深圳市富德資源投資控股有限公司”)

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 Chanye Holding Co., Ltd.* (formerly known as “Shenzhen Shenxin Financial Holding Co., Ltd.”*) (“深圳深信產業控股有限公司，前稱深圳深信金融控股有限公司”)
Shenzhen Shenxin Financial Services Co., Ltd.* (“深圳深信金融服務有限公司”)
Shenzhen Shenxin Capital Management Co., Ltd.* (“深圳市深信資本管理有限公司”)
Kaisa United Financial (Beijing) Co., Ltd.* (“佳兆業聯合金控(北京)有限公司”)
Guan Kongqueting Real Estate Development Co., Ltd.* (“固安孔雀亭房地產開發有限公司”)
Guangdong Kaisa Jiayun Technology Co., Ltd.* (formerly known as “Guangdong Mingjia Lianhe Mobile Technology Co., Ltd.”*) (“廣東佳兆業佳雲科技股份有限公司，前稱廣東明家聯合移動科技股份有限公司”)
Shenzhen Tianjia Industrial Development Co., Ltd.* (“深圳市天佳實業發展有限公司”)
Guangdong Kaisa Property Development Co., Ltd.* and its subsidiaries (“廣東佳兆業房地產開發有限公司”)

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”)
Shenzhen Jiademeihuan Traveling Development Co., Limited* (“深圳市佳德美奧旅遊開發有限公司”),
Shenzhen Jiafu East Tourism Development Co., Ltd.* (“深圳市佳富東部旅遊開發有限公司”),
Shenzhen Zhaofude Tourism Development Co., Ltd.* (“深圳市兆富德旅遊開發有限公司”) together named as
JVs for Dapeng Xiasha Development Project* (“大鵬下沙合營發展項目”)
Guangzhou Nantian Company Limited* (“廣州南天商業大廣場建設發展有限公司”)
Shenzhen Tiandi Tongchang Investment Development Co., Ltd.* (“深圳市天地同昌投資發展有限公司”)
Shenzhen Gongming Kaisa Property Development Company Limited* (“深圳市公明佳兆業置業發展有限公司”)
Holy Joint Management Consultants Limited* (“浩霖管理顧問有限公司”)
Shenzhen Longhua Kaisa Property Development Company Limited* (“深圳市龍華佳兆業置業發展有限公司”)

* 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.

28. RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries and other short-term employee benefits	76,828	77,764
Retirement scheme contributions	311	192
Share option benefits	77,649	457
	154,788	78,413

(c) Material related party transactions

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest expense paid to a related company (note (i))	18,829	172,620
Interest income received from an associate (note (iii))	36,330	-
Interest expense paid to associates (note (iv))	41,290	1,661
Capital injection by an associate	20,820	-
Rental expenses paid to a controlling shareholder (note (ii))	1,034	983
Financial advisory fees paid to an associate	28,752	4,830

Notes:

- (i) Interest expense was charged at interest rate of 12% (six months ended 30 June 2017: 12%) per annum on the loan from a related company.
- (ii) This represents payment of rental expense for various office premises to controlling shareholder, Mr. Kwok Ying Shing. The rental expenses paid during the period was determined at prevailing market rate of respective office premises.
- (iii) The interest income was charged at interest rate of 6.175% (six months ended 30 June 2017: nil) per annum on amount due from an associate.
- (iv) Interest expense was charged at interest rate ranging from 4.35% to 12.5% (six months ended 30 June 2017: 12.5% to 13%) per annum on the loans from associates.

28. RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Loans from associates (note 19(c))	933,550	1,227,200
Loan from a related company (note 19(b))	108,781	108,781
Amounts due from associates (note 15)	3,653,657	20,498
Amounts due from joint ventures (note 15)	1,041,434	879,210
Amounts due to associates (note 20)	(1,353,732)	(925,721)
Amounts due to joint ventures (note 20)	(326,386)	-
Interest payable to a related company – included in other payables and accruals (note 20)	(18,829)	(205,683)

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. The Board is of the view that, for the six months ended 30 June 2018, the Company complied with the code provisions on the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviation:

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Due to their other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, and the independent non-executive Directors of the Company, Mr. RAO Yong and Mr. LIU Xuesheng, were unable to attend the annual general meeting of the Company held on 11 June 2018.

AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are non-executive director and independent non-executive directors of the Company, namely Ms. CHEN Shaohuan, Mr. RAO Yong and Mr. ZHANG Yizhao. Mr. RAO Yong is the Chairman of the Audit Committee.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the Group's interim report 2018. In addition, the independent auditor of the Company, Grant Thornton Hong Kong Limited, has reviewed the unaudited interim results for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 to 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 six months ended 30 June 2018.

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

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

During the six months ended 30 June 2018, the Company made an on-market repurchase of the 2022 Notes and 2024 Notes which were listed on The Singapore Stock Exchange. The principal amounts of the 2022 Notes and 2024 Notes repurchased were US\$108.0 million and US\$67.5 million respectively.

Save as disclosed above, during the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board recommended the payment of an interim dividend (the "**Interim Dividend**") of HK3 cents per share for the six months ended 30 June 2018 (30 June 2017: nil), subject to the approval of the shareholders at the forthcoming extraordinary general meeting of the Company.

The Interim Dividend will be paid on or about 18 December 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 5 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who qualify for the Interim Dividend, the register of members of the Company will be closed from Monday, 3 December 2018 to Wednesday, 5 December 2018, both days inclusive. In order to qualify for the Interim Dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 30 November 2018.