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CHINA PROPERTIES GROUP LIMITED

(於開曼群島註冊成立之有限公司)

(股份代號：1838)

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司(「**聯交所**」)證券上市規則(「**上市規則**」)第13.10B條而作出。

謹請參閱隨附以僅供閣下參考，本公司致於二零一八年到期的13.50%優先票據的票據持有人的公佈(「**該公佈**」)，該公佈已於二零一八年十月十六日於新加坡證券交易所網站上刊登。

於聯交所網站刊載該公佈僅為方便向香港投資者發佈相同資料並遵從上市規則第13.10B條，並無任何其他目的。

該公佈不構成於任何司法權區向公眾出售任何證券的章程、通知、通函、宣傳冊或發售廣告，亦非邀請公眾提呈認購或購買任何證券，亦非旨在邀請公眾提呈認購或購買任何證券。

該公佈不得視作認購或購買本公司任何證券的誘因，且概無計劃有關誘因。不應根據該公佈所載的資料作出投資決定。

承董事會命
CHINA PROPERTIES GROUP LIMITED
Wang Shih Chang, George
主席

香港，二零一八年十月十六日

於本公佈日期，本公司董事會包括執行董事Dr. Wang Shih Chang, George、汪世忠先生及徐禮昌先生；非執行董事關啟昌先生；及獨立非執行董事Warren Talbot Beckwith先生、陸觀豪先生、Dr. Garry Alides Willinge及鄭燦焜先生。

IMPORTANT ANNOUNCEMENT TO THE NOTEHOLDERS OF THE

13.50% Senior Notes due 2018 issued by China Properties Group Limited

(ISIN: XS0941934944 Common Code: 094193494)

The Board of Directors (the "Board") of China Properties Group Limited ("CPG" and together with its subsidiaries, the "CPG Group") is pleased to announce the closing on October 15, 2018 of the private placement of USD226,000,000 15.0% Senior Notes Due 2021 (the "Notes") by Cheergain Group Limited (the "Issuer"), a wholly owned subsidiary of CPG incorporated in the British Virgin Islands with limited liability. Application will be made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange.

The estimated net proceeds of the proposed issue of the Notes, after deduction of the fees and other estimated expense payable in connection with this offering, will amount to approximately USD220.5 million; and the Issuer intends to use the net proceeds to refinance CPG's existing indebtedness.

Please refer to the attached information memorandum (the "Information Memorandum") which contains material information about the CPG Group.

By order of the Board
China Properties Group Limited
Wang Shih Chang, George
Chairman

Hong Kong, October 16, 2018

As at the date of this announcement, the Board of the Company comprises Dr. Wang Shih Chang, George, Mr. Wong Sai Chung and Mr. Xu Li Chang as executive directors, Mr. Kwan Kai Cheong as non-executive director and Mr. Warren Talbot Beckwith, Mr. Luk Koon Hoo, Dr. Garry Alides Willinge and Mr. Cheng Chaun Kwan, Michael as independent non-executive directors.

This announcement is for information purposes only and does not constitute an invitation or a solicitation of an offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

This announcement is not for distribution, directly or indirectly, in or into the United States. This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No securities may be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. No public offer of securities is to be made by the Company in the United States.

IMPORTANT NOTICE

THIS INFORMATION MEMORANDUM IS FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE AN INVITATION OR A SOLICITATION OF AN OFFER TO ACQUIRE, PURCHASE OR SUBSCRIBE FOR SECURITIES OR AN INVITATION TO ENTER INTO AN AGREEMENT TO DO ANY SUCH THINGS, NOR IS IT CALCULATED TO INVITE ANY OFFER TO ACQUIRE, PURCHASE OR SUBSCRIBE FOR ANY SECURITIES.

This information memorandum is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that the market data from third parties is accurate or complete. This information memorandum summarizes certain documents and other information to which we refer you for a more complete understanding of what we discuss in this information memorandum.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this information memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we", "us", "our", the "Company", the "Group" and words of similar import, we are referring to Cheergain Group Limited itself, or to Cheergain Group Limited and its consolidated subsidiaries, as the context requires. "CPG" refers to China Properties Group Limited, the holding company of Cheergain Group Limited.

References to the "2013 Notes" are to to the 13.50% Senior Notes due 2018 issued by CPG on October 8, 2013 and October 22, 2013 which are listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), and references to the "Notes" refer to $226,000 000 15.0% Senior Notes due 2021 issued by Cheergain Group Limited on October 15, 2018.

Market data, industry forecast and PRC and property industry statistics in this information memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or our directors and advisors, and neither we nor our directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and PRC and property industry statistics.

In this information memorandum, all references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."); all references to "HK$" and "H.K. dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC ("Hong Kong" or "HK"); and all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China ("China" or the "PRC").

The financial information included in this information memorandum relating to the Group has been derived from its financial statements. Unless otherwise indicated, financial information in this information memorandum has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which differ in certain respects from generally accepted accounting principles in certain other countries.

References to "PRC" and "China," for the statistical purposes of this information memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC, or Taiwan. "PRC government" or "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

References to "GFA" are to gross floor area. References to "sq.m." are to square meters.

Any discrepancies in any table between the total shown and the sum of the amounts listed are due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

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RISK FACTORS

This information memorandum contains forward-looking statements relating to events that involve risks and uncertainties. The risks described below are not the only ones that may affect our Company or the Notes. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, results of operations or financial condition. If any of the possible events described below occur, our business, results of operations or financial condition could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

Risks Relating to Our Business

Servicing CPG's debt, including the 2013 Notes, requires a significant amount of cash, and neither we nor CPG may have sufficient cash flow from our business to pay our substantial debt

CPG's and our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including the 13.50% Senior Notes due 2018 issued by CPG (the "2013 Notes") and the $226,000 000 15.0% Senior Notes due 2021 issued by Cheergain Group Limited on October 15, 2018 (the "Notes"), depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt. In 2015, we had net cash used in operating activities of RMB260.6 million, while in 2016 and 2017 and the six months ended June 30, 2017 and 2018, we generated net cash from operating activities of RMB215.5 million, RMB180.6 million, RMB144.4 million and RMB213.5 million, respectively. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, revising or delaying our strategic plans or obtaining additional equity capital on terms that may be onerous or unfavorable to us. Our ability to refinance our indebtedness will depend on the capital markets and financial condition at such time, and we may not be able to refinance any of our indebtedness or incur new indebtedness on commercially reasonable terms to us or at all.

We intend to use substantially all of the proceeds from the issuance of the Notes to repay the 2013 Notes issued by CPG upon maturity on October 16, 2018. We cannot assure you we will meet all the conditions precedent for the issuance of the Notes. If we are unable to issue the Notes and receive the proceeds from the issuance, we will not be able to transfer such proceeds to CPG and CPG may not have sufficient funds to repay its obligations under the 2013 Notes upon maturity, which may result in an event of default and trigger cross-defaults on the debt and other obligations of CPG and its subsidiaries. This may in turn have an adverse impact on the business and financial condition of CPG and its subsidiaries, which includes the Company, taken as whole.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of June 30, 2018, we had RMB5,016 million in outstanding debt (excluding amount due to an ultimate controlling shareholder and an amount due to immediate holding company).

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;

- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

The Notes and the indenture governing the Notes (the "Indenture") permit us and our subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. Covenants in agreements governing debt we may incur in the future may materially restrict our operations, including our ability to make investments and payments, and encumber or dispose of assets.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all. In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business.

Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

We are heavily dependent on the performance of the PRC property market, particularly in Shanghai, Chongqing and Beijing

All of our existing properties and development projects are located in Shanghai and Chongqing. CPG has an option to acquire a 50% equity interest in a project company that owns the rights to a proposed property development project in Beijing under the Beijing Concord Option. As a result, the success of our business heavily depends on the continued growth of the PRC property market, particularly in Shanghai, Chongqing and Beijing. We cannot assure you that the demand for new properties in Shanghai, Chongqing and Beijing and other cities in China where we may operate or intend to expand will continue to grow or that prices will not deteriorate. In addition, fluctuations of supply and demand in the real estate market in China are caused by economic, social, political, regulatory and other factors that are outside of our control and we cannot assure you that there will not be over-supply of properties or an economic downturn in the property sector in Shanghai, Chongqing, Beijing and other cities of China. Any such over-supply or economic downturn may result in a slowdown in property sales or downward pressure on property prices regionally or nationwide. Any adverse development in the real estate market in Shanghai, Chongqing and Beijing or other cities in China where we may operate in the future could have a material and adverse effect on our business, results of operations and financial condition.

Our business is subject to extensive government regulation and, in particular, we are susceptible to policy changes in the PRC property sector

Our business is subject to extensive governmental regulation and the macroeconomic control measures implemented by the PRC government from time to time. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, property sales, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, restrict the purchase of residential properties, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector. Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and, as a result, may limit our business growth and have an adverse effect on our business, results of operations and financial condition.

Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes to such policies. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future, nor can we assure you when or whether the existing policies will be eased or reversed. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the property industry, or such policy changes disrupt our business, reduce our sales or average selling prices, or cause us to incur additional costs, our business, results of operations and financial condition may be materially and adversely affected.

See "—Risks Relating to the Property Market in China" for more risks and uncertainties relating to the extensive PRC regulations.

Our results of operations may fluctuate substantially due to changes in the fair value of our investment properties

Our investment properties consist of properties we hold for rental purpose and leasehold land used for the construction of properties for rental. As of each balance sheet date, the value of our investment properties is assessed by an independent property valuer based on their then current market values. Pursuant to Hong Kong Accounting Standards ("HKAS") 40 on investment properties, which we have adopted, we recognize any net change in the fair value of our investment properties in our consolidated statement of profit or loss and other comprehensive income as "changes in fair value of investment properties." Changes in market values of our investment properties are beyond our control and any such changes will have an impact on our profit or loss. In 2015, 2016, 2017 and the six months ended June 30, 2018, we recognized changes in fair value of investment properties of RMB1,740.1 million, RMB1,114.1 million, RMB257.0 million and RMB416.5 million respectively. If we increase our proportion of investment properties, the impact of such change in market values on our profit or loss may become even greater.

In addition, in accordance with HKFRS, the values of our properties held for sale and properties under development for sale (collectively, "properties for sale") are assessed on a different basis than our investment properties. Our properties for sale are valued at the lower of cost and net realizable value, and as such, are not assessed based on their then current values, and accordingly, any changes in fair value of our properties for sale are not recognized. As a result, a change, or transfer, in the classification of a property between investment property and property for sale may result in a change in our profit for the relevant year. We make such transfers according to changes in our development plan, which are based on the investment return we expect to derive from the then current market conditions, as well as our expectation of future market conditions. However, the accounting treatment of transfers between investment properties and properties for sale is subject to HKFRS.

Changes in fair value of investment properties represent unrealized gains and losses and, as such, do not reflect our cash flow or liquidity positions. Furthermore, we cannot assure you that any surplus in fair value of investment properties can be realized at the same amount or at all or that declines in fair value will not cause us to incur net losses.

It is difficult to predict our future performance because our revenue fluctuates significantly from period to period due in part to our revenue recognition policy and factors beyond our control

The Group's revenue, expenses, net income and results of operations have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. In 2015, 2016, 2017 and the six month ended June 30, 2018, we recorded revenue of RMB71.7 million, RMB206.2 million, RMB215.4 million and RMB28.8 million, respectively. We recognize revenue from a sale of property only upon the earlier of the delivery of the property or the passing of the title to the purchaser. As a result of our revenue recognition policy, we recognize the majority of our revenue a significant time after the date of the pre-sale. We cannot predict with certainty the time of the completion and delivery of the property, and hence the time of the revenue recognition from any pre-sale, because the completion of any property development will vary according to its construction timetable and the time required to obtain the occupation permit. Further, the completion of any project development may be adversely affected by many factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond our control or other unforeseen events and circumstances. Any of these factors may affect the timing of completion of the property development, as well as our receipt of cash and the recognition of revenue from the project, and thus adversely affect our financial condition. We recognize costs relating to a property sold when the corresponding revenue is recognized, and accordingly, changes to our costs are subject to many of the same factors described above. In addition, as our revenue is derived principally from the sale of properties, we have a relatively small amount of recurring revenue and therefore our results of operations may fluctuate significantly. Such fluctuations may also adversely affect our cash flows and thus our ability to fund future projects. We therefore believe that period-to-period comparisons of our results of operations may not be as meaningful as they would be for a company with more stable recurring revenue.

We may not be able to obtain adequate financing to fund our land acquisitions and property projects

The PRC government has in recent years taken a number of measures in the financial sector to further tighten lending requirements for property developers to cool down excessive growth in the property sector, which, among other things:

- prohibit PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of villas;
- restrict PRC commercial banks from granting or extending revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- prohibit PRC commercial banks from granting loans to development projects that fail to meet capital ratio requirements or lack the required government permits and certificates; and
- prohibit property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing from them. PBOC adjusted the bank reserve requirement ratio twice in 2012, twice in 2014 and five times in 2015 and once in 2016 up to December 31, 2017. The reserve requirement ratio for commercial banks currently ranges from 13.0% to 16.5%.

Property development projects are typically capital intensive and may require high levels of debt financing. Our available financial resources for implementing our projects may be inadequate and our project development may face cost overruns. The actual amount and timing of future capital requirements may differ from our estimates. If we decide to meet these funding requirements through debt financing, our interest obligations will increase and we may be subject to additional restrictive covenants, including restrictions on changes to our shareholding, constitution of board of directors and management. We also face refinancing risks if our lenders choose not to refinance our existing debt on acceptable terms or at all. If we decide to raise additional funds through the issuance of equity or equity-linked instruments, the interests of existing shareholders will be diluted. In addition, our ability to raise funds, either through equity or debt, is limited by certain restrictions imposed under PRC and Hong Kong law and the laws of the relevant foreign jurisdiction. We cannot assure you that in the future, we will be able to raise adequate capital in a timely manner and on acceptable terms or at all, particularly when the property market is depressed. Our failure to obtain adequate financing may result in the delay, change or abandonment of existing and future projects, which may materially and adversely affect our business, results of operations and financial condition.

Our cash flow may be affected by our long project development cycles, and we may not be able to complete our projects according to schedule or on budget

It usually takes years from the acquisition of a development site to the time we can pre-sell, sell or deliver our properties in the project to generate revenue and cash. As a result, our cash flow and liquidity may fluctuate significantly during the different stages of the property development process. In addition, properties are relatively illiquid compared to other types of investment products, and property prices tend to be volatile, particularly at times when the global and relevant local economies experience significant changes. As a result, the prices of our properties may experience significant fluctuations between the time we acquire the site and the time we pre-sell or sell the properties developed on such site.

Factors such as shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with independent contractors and sub-contractors, accidents, changes in government priorities and policies, changes in government construction planning and other problems and circumstances beyond our control can increase the time needed and the substantial costs incurred to complete a project. Specifically, we may be materially and adversely affected because:

- our independent contractors, including designers and construction companies, may not be able to complete our projects on time, within budget, to our specifications and standards or at all, resulting in us compensating purchasers for late delivery of properties;
- we may not be able to obtain necessary governmental approvals or certificates for the development of our properties without delays or at all;
- we may not be able to obtain adequate working capital or other financing to complete construction on schedule; and
- disputes may arise among our contractors, including designers and construction companies, as to their obligations since we typically hire more than one contractor for each construction project.

The occurrence of factors such as those above could delay completion of our projects, thereby increasing our financing costs, penalties and other costs, and impairing or delaying our anticipated revenue, cash flow and profitability.

We are currently facing legal claims from some of our contractors and may face other claims from our purchasers and suppliers, and we may be involved in government proceedings

We may face claims by purchasers for failure to deliver properties according to the specifications and schedules stipulated in our sale and pre-sale contracts. Additionally, we may face claims from third parties such as suppliers and contractors during our ordinary course of business.

Third-party claims against CPG have primarily consisted of disputes over construction matters, disputes relating to design and landscape matters and disputes over sale and pre-sale contracts and tenancies. As at June 30, 2018, the Group is subjected to outstanding legal claims that are still in preliminary stage, according to the advices from an independent legal advisors or internal legal counsel, the final outcome is unable to be determined at this stage with an aggregate amount of approximately RMB57 million (December 31, 2017: RMB42 million) in relation to disputes under construction contracts in the properties development operation during the normal course of business. In these legal proceedings, we have received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale in an aggregate amount of approximately RMB23 million (December 31, 2017: RMB52 million) and the withdrawal of bank deposits of approximately RMB2 million (December 31, 2017: RMB6 million) as at June 30, 2018. These amounts may increase or decrease significantly as the litigation proceeds, and we might be restricted from disposing of significant amounts of additional assets in the future in connection with this litigation. These disputes have delayed our application for the construction work completion inspection certificates for the disputed properties and our deliveries of pre-sold units in these properties to our customers, and may further delay the title registration of the relevant properties. If we are unsuccessful in pursuing our claims, we may be liable for the entire amount under dispute, the properties that have been frozen may be sold at auction to satisfy any related judgment, and we may need to hire replacement construction contractors at additional cost to perform additional construction before we are able to receive the construction work completion inspection certificates and deliver units in these properties. We may also face claims from customers to whom we have pre-sold affected units. See "— We face risks related to the pre-sale of properties, including the risk that property developments are not completed." As a result, our business, results of operations and financial condition may be materially and adversely affected.

In addition, there can be no assurance that we will not be involved in a larger number of proceedings or that such proceedings will not have larger amounts in controversy in the future or that the outcome of these proceedings will not materially and adversely affect our business, results of operations or financial condition.

We are regulated by various government authorities in China. If any PRC government authority believes we or any of our suppliers or contractors are not in compliance with PRC regulations, it could shut down or delay our construction or sales operations, refuse to grant or renew construction approvals or licenses, institute legal proceedings to seize our properties, enjoin future actions or assess civil and/or criminal penalties against us, our officers or our employees. Any such action by a PRC government agency would have a material adverse effect on our business. If we are found to have not complied with, or in the future do not comply with, all applicable PRC laws and regulations, our business, results of operations and reputation may be materially and adversely affected.

Our business depends on the continuing efforts of our key management personnel

Our success depends substantially on the expertise and experience of the Group's key management personnel, including Mr. Wong. Mr. Wong is our founder, managing director of CPG and our indirect controlling shareholder. He has been and is expected to remain in control of our overall policy and management. We do not maintain key-man life insurance for any of our key management personnel. If Mr. Wong or any of our other key management personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. The loss of services of Mr. Wong or any other key management personnel in the absence of suitable replacements could have a material adverse effect on our operations, financial condition and results of operations.

Our future growth prospects may be affected if we are unable to identify suitable properties or acquire properties at commercially acceptable prices

We believe that identifying and acquiring a suitable portfolio of properties for future development is critical to sustain our growth. There can be no assurance that we will be able to identify and acquire attractive sites in the future. In addition, as there is often a significant passage of time between identifying property, acquiring property and delivering possession, there is a risk that our development projects may no longer be strategically located by the time of their completion or the time they are sold and delivered. There is also no assurance that CPG will exercise any of its rights to acquire any interest in the projects subject to the Beijing Concord Option or the other option agreement entered into on February 8, 2007, pursuant to which we may acquire certain of Mr. Wong's other interest in properties in the PRC (the "General Option"), or that any such sites will develop into profitable developments if we decide to exercise these rights. In addition, there is no guarantee that we will be able to acquire such sites on favorable terms, obtain the necessary land use rights or obtain the necessary PRC government approvals to proceed with any such proposed developments projects. Our inability to identify and acquire attractive new sites could impair our ability to compete with other property developers, which in turn may materially and adversely affect our business, results of operations and financial condition.

In China, the supply of substantially all property development sites is controlled by governmental authorities, and our ability to acquire land use rights and the acquisition costs of such land use rights will be affected by government policies towards land supply, development and pricing. The central and local governments may regulate the means by which property developers obtain land for development. The Shanghai, Chongqing and Beijing municipal government and the PRC central government have introduced regulations requiring that land use rights for most residential and commercial-use property development be sold through public tender, auction or listing for sale conducted by local land authorities. This has contributed to an increase in the cost of land acquisition by property developers throughout China. In addition, the PRC central and local governments may also control the supply of land available for development in Shanghai, Chongqing, Beijing and other major PRC cities in which we seek to develop projects. If we are unable to acquire land use rights in China at suitable prices or at all, our business, results of operations and financial condition may be materially and adversely affected.

We are controlled by Mr. Wong, the managing director of CPG and controlling shareholder, whose interests may differ from the holders of our Notes

Mr. Wong has significant influence and control over the Group's business plans and strategies (i) as the managing director of CPG, (ii) through his ownership of Hillwealth Holdings Limited, CPG's controlling shareholder, and (iii) through Dr. Wang Shih Chang, George, the chairman of CPG, who is the brother of Mr. Wong and Mr. Wong can exercise his voting rights to control the election of CPG's board of directors and any vote in CPG's shareholders' meetings. Mr. Wong's majority ownership and control of CPG might also delay or prevent a change in control, which could in turn reduce the market price of the Notes. The Group receives advances from Mr. Wong from time to time. As of June 30, 2018, the amount due to Mr. Wong under these advances is RMB2,442.4 million which is repayable upon demand. Therefore, Mr. Wong has significant influence and control over the Group and may exercise his control in ways that conflict with the interests of the holders of our Notes. Mr. Wong has entered into a deed of undertaking under which he has agreed, subject to certain exceptions, not to engage directly or indirectly in any property development business in the PRC as long as he remains CPG's controlling shareholder and while CPG's shares are listed on the Hong Kong Stock Exchange.

Pursuant to the exceptions to the deed of undertaking, Mr. Wong maintains direct and indirect interests in other companies outside our Group that are engaged in property development and investment projects in China and other parts of Asia. Some of these companies may compete directly with our existing property development and investment businesses, including for the acquisition of development sites or other properties, financing, design and development talent, construction contractors, customers, management personnel and resources, as well as Mr. Wong's efforts and attention.

We cannot assure you that the deed of undertaking will be adequate or effective in protecting the interests of the holders of our Notes. If Mr. Wong fails to comply with the deed of undertaking, or if the deed of undertaking is altered in a manner which is unfavorable to us or determined to be unenforceable, any competition between our business and Mr. Wong's other competing businesses could adversely affect our growth, results of operations and financial condition. There can be no assurance that Mr. Wong will direct any future business opportunities to us or, as our controlling shareholder and our managing director, cause us to take up such opportunities.

We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments

We pre-sell properties before construction is completed. The purchasers of our properties may need mortgage loans to purchase our properties, and we typically arrange for various banks to provide these mortgage loans. In accordance with market practice, the mortgagee banks require us to guarantee our customers' mortgage loans. Typically, our guarantee obligations for such customers' mortgage loans are 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 mortgaged property and the completion of the registration of the mortgage. If a purchaser defaults on a mortgage loan guaranteed by us, we may have to repay the mortgage loan. If we fail to do so, the mortgagee bank may foreclose the underlying property and recover any balance from us as the guarantor of the defaulted mortgage loan. In line with industry practice, we rely on the credit analysis performed by the mortgagee banks in respect of individual customers and we do not conduct any independent credit checks on them.

As of December 31, 2015, 2016, 2017 and June 30, 2018, we had guaranteed mortgage loans in the aggregate outstanding principal amount of RMB797.0 million, RMB483.1 million, RMB492.4 million and RMB503.6 million, respectively. However, we cannot assure you that there will not be any default in the future and if we are required to honor our guarantees, our results of operations and financial condition may be materially and adversely affected.

We face risks related to the pre-sale of properties, including the risk that property developments are not completed

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we could find ourselves liable to purchasers of pre-sold units for losses suffered by them. There can be no assurance that these losses would not exceed the purchase price paid in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond the contractually specified period, these purchasers may even be entitled to terminate the pre-sale agreements and claim damages. In 2011 to 2013 and six month ended June 30, 2018, we experienced late deliveries of properties and had paid related compensation to purchasers to reschedule deliveries of properties amounting to approximately 0.07% of the Group's total assets as of June 30, 2018. We cannot ensure that we will not experience any significant delays in completion or delivery or that we will not be subject to any liabilities for any such delays. Also, proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our need to seek alternative means to finance the various stages of our developments. This, in turn, could have an adverse effect on our cash flow, business, results of operations and financial condition.

We may have to compensate our customers if we fail to deliver individual property ownership certificates in a timely manner

According to the relevant PRC law, property developers must meet various requirements within 90 days after the delivery of a pre-sold property, 90 days after the sales and purchase agreement of the completed property is concluded or such other time period that may be provided in the relevant sales and purchase agreement to assist a purchaser in obtaining the individual property ownership certificate. We generally elect to specify the deadline to apply for an individual property ownership certificate in the sales and purchase agreement to allow sufficient time for the application and approval process. Following the effective date of a sales and purchase agreement for one or more units in a development, we then assist the purchaser to apply for an individual property ownership certificate for each unit. This involves submission of documents, including the sales and purchase agreement, identification documentation for the purchaser, evidence of payment of deed tax and other necessary certificates. Delay by a purchaser in providing the documents relating to the purchaser, or delay by the various administrative authorities in reviewing the relevant application document, as well as other factors beyond our control, may affect timely delivery of the relevant individual property ownership certificate. Under current PRC laws and regulations and under our sales and purchase agreements, we are required to compensate our customers for delays in delivery caused by us of individual property ownership certificates. Significant delays in obtaining property ownership certificates with respect to our developments may materially and adversely affect our business, results of operations and financial condition.

We have a limited ability to control the maintenance and upkeep of our developments for sale after they are sold and delivered and the quality and image of our properties may suffer

We have a limited ability to control the maintenance and upkeep of our developments for sale after they are sold and delivered. In particular, although we generally manage our residential properties for an initial period of two years after delivery, owners of such properties have the right to appoint another property management company. In addition, we intend to engage professional hotel management companies to manage our hotels in Shanghai Concord City. We also plan to engage third-party property management companies to manage some of our retail properties in Shanghai Concord City. If such third-party professional companies do not manage our properties in accordance with the terms of our respective agreements with them, our reputation would likely suffer. Furthermore, if we rely on professional management companies to manage our properties, we may not be in a position to identify or resolve potential issues that may arise in relation to our properties. Any damage to our reputation and our brand could affect our ability to attract purchasers to our development projects and future projects, which could cause us to lose market share and suffer reduced revenue and profits.

Our insurance coverage may be inadequate to cover potential liabilities

We do not carry comprehensive insurance against all potential losses or damages with respect to our properties before their delivery to customers. We have purchased insurance policies to cover property damage for certain of our properties to the extent required under certain of our financing agreements. However, there are certain types of losses, such as losses from natural disasters, terrorist attacks, construction delays and business interruptions for which insurance is either not available or not available at a reasonable cost. In addition, our contractors typically do not maintain insurance coverage on our projects under construction. Therefore, we are not fully covered for all potential losses, damages and liabilities which, if they were to occur, may result in the interruption of our business, the loss of our capital and the loss of anticipated revenue. Any future loss that is not fully covered by insurance could significantly reduce our cash and cash equivalents available for working capital purposes and materially and adversely affect our results of operations and financial condition.

We rely on independent contractors to provide property development products and services

We engage independent third-party contractors to provide significant property development services, including construction, piling and foundation, building and property fitting-out work, interior decoration and installation of air-conditioning units and elevators. Our projects are usually undertaken by independent contractors selected through invitation and all contracts typically do not allow these independent contractors to sub-contract all or significant portions of the work unless our prior approval has been obtained. There can be no assurance that the services rendered by any such independent contractor or any subcontractor will be completed in a timely manner or of satisfactory quality. If these services are not timely or of acceptable quality, we may incur significant time and costs to seek for remedy through litigation or other legal process, incur substantial costs to complete the projects and remedy any defects and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed cost to which they committed contractually and we may have to bear such additional amounts. Furthermore, any contractor that experiences financial or other difficulties, including labor disputes with its employees, may be unable to carry out construction or related work, resulting in a delay in the completion of our development projects or resulting in additional costs. We cannot assure you that such problems with our contractors will not occur in the future. We believe that any problems with our contractors, individually or in the aggregate, may materially and adversely affect our financial condition, results of operations or reputation.

Our business may be adversely affected if we fail to obtain or maintain the required qualification certificates, including the existing interim qualification certificates

All property developers must obtain a PRC qualification certificate to operate in the property development business in China. According to the Provisions on Administration of Qualification of Real Estate Developers (《房地產開發企業資質管理規定》) (the "Provisions on Administration of Qualifications") all newly established property development corporations or entities must first apply for a PRC interim qualification certificate, which is valid for one year. Such certificate may be extended up to a maximum of two years with the approval of the relevant real estate development administration authority. An application for a formal qualification certificate must be made one month before the interim qualification certificate expires. If the property developer has, at the time of such application, complied with all relevant regulations and requirements, including the conditions applicable to the interim qualification certificate, and has property development projects under construction, the formal qualification certificate is usually granted. According to the Provisions on Administration of Qualifications, the maximum amount of the fine for operating property development business without a valid interim or formal certificate shall be RMB100,000. Shanghai Minhang Concord Property Development Co., Ltd. is renewing its qualification certificate. There can be no assurance that any registration or applications for an extension, renewal or formal certificate will be successful. If any such registration, extension, renewal or formal certificate is not obtained for any reason, our operating subsidiaries may be required to pay a fine or our business licenses may be revoked, which could prevent us from continuing our operations. As a result, our business, results of operations and financial condition may be materially and adversely affected.

There is uncertainty around the interpretation of the PRC laws and regulations

Assuming no offer or sale of the Notes has been or will be made directly or indirectly within the PRC, no Governmental Authorization in the PRC is required for (a) the authorization, execution and delivery by the Issuer of the Transaction Documents, and consummation of the transactions as contemplated by the Transaction Documents, or (b) the issuance of the Notes pursuant to the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (Fa Gai Wai Zi [2015] No.2044) (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》) (Fa Gai Wai Zi [2015] No. 2044, "Circular 2044"). However, as there is a lack of clear statutory interpretation regarding the implementation of Circular 2044, there are uncertainties regarding whether PRC Governmental Agencies, including NDRC, would consider the issuance of the Notes being subject to Circular 2044. NDRC has discretion in determining whether the issuance of the Notes is subject to the registration requirement under Circular 2044, and it is possible that NDRC may determine that the issuance of the Notes is subject to the registration requirement under Circular 2044. Also, it is unclear how Circular 2044 and relevant regulations, circulars and pronouncements of NDRC or other PRC Governmental Agencies might be interpreted or implemented in the future. If NDRC or other PRC Governmental Agencies are of the view that the issuance of the Notes was subject to the registration requirement under Circular 2044, failure to register with NDRC before the issuance of the Notes may subject the Issuer and professional parties participating in this transaction to regulatory penalties.

Our results of operations may be adversely affected if we fail to obtain, or there are delays in obtaining, requisite governmental approvals for our property development projects

The property development industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by the laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations.

In order to develop and complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights certificates, project approval, environmental impact assessment approval, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. There can be no assurance that we will not encounter major problems in fulfilling the conditions precedent to any approvals required for our development projects, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the property development industry in general or any particular processes with respect to the granting of approvals for our development projects. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we encounter any difficulties or experience any delay in obtaining any required approvals for our development projects, we may not be able to develop or complete a development project according to schedule and may incur additional costs beyond original planning, which may adversely and materially affect our business, results of operations and financial condition.

Our profitability and results of operations are affected by changes in interest rates

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. The People's Bank of China (中國人民銀行) (the "PBOC") has adjusted the benchmark one-year lending rate numerous times in the past in response to the changing PRC and global financial and economic conditions. The benchmark one-year lending rate is currently 4.35%. We cannot assure you that the PBOC will decrease the benchmark one-year lending rate or that the interest rates at which financing will be available to us or our customers will decrease in the future. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any future increase in such benchmark lending rates will increase the interest costs for our property developments.

A substantial portion of the interest expense has been capitalized, and will then be recognized in the consolidated statements of profit or loss and other comprehensive income as cost of sales upon the sale of properties. Such capitalized interest expense may adversely affect our gross profit margin upon the sales of properties in future.

In addition, increases in interest rates may affect our customers' ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our properties.

Resettlement process may result in additional costs or cause delays to our development projects

On March 16, 2007, the National People's Congress of China adopted the Property Rights Law, which expressly provides legal protection of the private rights of homeowners. This may increase the difficulties in effecting demolition and resettlement through administrative intervention, and the cost of demolition and resettlement for our property development projects may increase.

In January 2011, the State Council promulgated the Rules for the Expropriation of Buildings on State-owned Land and Compensation (the "Expropriation Rules") which regulate the expropriation of buildings on State-owned land by the relevant land authority and the corresponding compensation to the owners of the expropriated buildings. In the event that the buildings on the State-owned land are expropriated for reasons of public interest, the owners of the expropriated buildings should be compensated. The Expropriation Rules specify the scope of compensation and the rights of the owners of the expropriated buildings, such as the right to take part in the hearing.

If the housing expropriation department and the party with housing being expropriated fail to reach an agreement for compensation and resettlement, the housing expropriation department shall request the relevant governmental authorities to make a compensation ruling. If the party with housing being expropriated is not satisfied with the ruling, it may initiate proceedings in a people's court or apply for an administrative reconsideration, which may cause delays in the development projects. Such proceedings and delays, if any, could adversely affect our development schedule, which could, in turn, lead to cost increases and delayed investment returns, and as a result, materially and adversely affect our business, financial condition and results of operations.

We may not be able to leverage our experience in Shanghai and Chongqing to expand to other cities in China

In 2015, 2016, 2017 and the six month ended June 30, 2018, we derived all of our revenue from development projects in Shanghai and Chongqing. We may expand to other cities in China. For example, we may expand to Beijing through the exercise of the Beijing Concord Option at any time before the expiry of 12 months after valid land use rights certificates to develop the whole property subject to the land grant contract have been granted. These cities may differ from Shanghai and Chongqing in terms of the level of economic development, topography, culture, regulatory practices, familiarity with contractors and business practices and customs, customer tastes, behavior and preferences. Accordingly, our experience in Shanghai and Chongqing may not be applicable to other cities. In addition, when we enter new markets and geographical areas, it is likely that we will compete with local developers who have an established local presence, are more familiar with local regulatory and business practices and customs and have stronger relationships with local contractors, all of which may give them a competitive advantage over us. Failure to leverage our experience or failure to understand the property market in any other city in China which we target for expansion may have a material adverse effect on our financial condition or results of operations. Furthermore, if we are unsuccessful in our endeavors outside Shanghai and Chongqing, our confinement to the Shanghai and Chongqing markets over the longer term may constrain our development and prospects.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. Continued concerns about sovereign debt in certain European countries and slumping growth in other parts of the world could lead to another global economic downturn or financial market crisis.

More recently, global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe and heightened market volatility in major stock markets. On June 23, 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). A process of negotiation will determine the future terms of the United Kingdom’s relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union’s free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. The uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

Economic conditions in China are sensitive to global economic conditions. Since we derive, and expect to continue to derive, substantially all of our revenues from China, and both the residential and commercial property markets tend to be very sensitive to overall economic conditions, our business and prospects may be affected by the economic conditions in China. For example, in May 2017, Moody’s Investors Service downgraded China’s sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country’s rising levels of debt and expectations of slower economic growth. The full impact of the Moody’s downgrade remains to be seen, but the perceived weaknesses in China’s economic development model, if proven and left unchecked, would have profound implications. If China’s economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. We cannot assure you that reductions in retail space needs and residential property spending will not occur. A decline in the economic prospects of our current and potential tenant customers and residential property purchasers or the economy in general could reduce their needs for our products and services. Therefore, any prolonged slowdown in the global or China’s economy may materially and adversely affect our financial condition and results of operations. In addition, the weak economy could weaken investor confidence, which constitutes the basis of the credit markets. Renewed financial turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could also materially and adversely affect our business, results of operations and prospects.

These and other issues resulting from global economic slowdowns and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, results of operations and financial condition may be materially and adversely affected.

We may not be able to generate adequate returns on our properties held for long-term investment purposes

Property development is subject to varying degrees of risk. The investment returns available from investments in property depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximizing yields from properties held for investment also depends to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants, the inability to retain tenants or find new tenants and the costs resulting from periodic maintenance, repair and re-letting. Therefore we cannot assure you that we can achieve the planned investment return on long-term property investments on a timely manner or at all.

We are susceptible to increases in the cost of labor and construction materials

Construction and development costs account for the majority of our cost of sales and are one of the significant factors affecting our financial condition. In general, our labor and construction materials costs are included in the contract fee payable to our contractors, who are generally responsible for procuring the required labor and construction materials. Nonetheless, we agree to bear certain of the increased costs when the prices of the labor and construction materials exceed a certain threshold. Due to the rapid growth in the property development industry in recent years in the PRC, wages for construction workers and the prices of construction materials and building equipment have substantially increased. We believe this will help us limit project cost overruns because we are not required to increase the contract fee or re-negotiate other terms in case of significant fluctuations of wages and construction materials prices. However, we cannot assure you that we will continue to be able to enter into contracts with similar pricing terms in the future, which will, in part, be affected by market practices which are beyond our control. Furthermore, there can be no assurance that our contractors will actually complete their contract performance without any fee adjustment, or at all, or that we can find replacement contractors at the same fee if wages and construction materials prices continue to increase. Should our contractors fail to perform their obligations under a respective contract as a result of increases in labor cost or construction materials prices or otherwise, we may incur significant litigation costs and replacement costs, which would materially and adversely affect our business, prospects, financial condition and results of operations. In addition, as it normally takes years to complete a property development project, we often enter into multiple contracts sequentially for different phases or sub-phases of a project, which could have different unit fees because of the fluctuations of wages and construction materials prices. If we are unable to pass on any increase in the cost of labor and construction materials to either our contractors or our customers, our results of operations and financial condition may be adversely affected by the cost volatility of labor and construction materials.

The expected completion dates and GFA of our properties under development and properties held for future development are subject to change

We have included in this information memorandum the expected completion dates and GFA of our properties under development and properties held for future development. The expected completion dates of these properties are subject to a number of uncertainties, including changes in the regulatory and economic environment and the performance of our business partners, many of which are beyond our control. See "— Our cash flow may be affected by our long project development cycles, and we may not be able to complete our projects according to schedule or on budget." The GFA figures of our properties under development and properties held for future development are based on government documents issued at various stages of the property development process, where available. We cannot assure you that government documents issued at later stages of the property development process will not contain different GFA figures or that our property development projects will not have different GFA figures when completed.

Any failure to protect our brand, trademarks and other intellectual property rights could have a negative impact on our business

We believe our brand, trademarks and other intellectual property are integral to our success. We believe the success of our business depends in part on our continued ability to use and promote our brand and trademarks. While we rely on the intellectual property laws in the PRC to protect our intellectual property, any unauthorized use of such intellectual property could adversely affect our business and reputation. Historically, China has not protected intellectual property rights to the same extent as certain other countries do, and infringement of intellectual property rights continues to pose a serious risk to doing business in China. Moreover, monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Any litigation or dispute in relation to our brand, trade names or trademarks could result in substantial costs and the diversion of resources. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving and if we are unable to adequately protect our brand, trademarks and other intellectual property, we may lose these rights and our business, results of operations and financial condition may be materially and adversely affected.

Our LAT provisions may not be sufficient to meet our LAT obligations

In accordance with the provisions of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax ("LAT") (《中華人民共和國土地增值稅暫行條例》) and the related implementation rules, all entities and individuals that receive income from the sale or transfer of land use rights, buildings and ancillary facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of such properties. There is an exemption for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible expense items allowed under the relevant LAT regulations. This exemption is not available for sales of luxury residential properties, villas and resort villages. There are also other exemptions as follows:

- real estates taken over or recovered according to laws due to the construction needs of the State;
- relocation due to the need of city planning and national construction;
- due to redeployment of work or improvement of living standard, transfer by individuals of originally self-occupied residential properties after five years or more of self-residence with the approval of the tax authorities.

According to the Implementation Rules of Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》), if a company is unable to calculate the LAT on its revenue from the sale of a property prior to completion, the LAT may be levied in advance. After the construction and the clearing of accounts of the property is completed, a thorough calculation will be conducted on the revenue received. The excess LAT paid in advance will be refunded to the company. If there is any shortfall, the company will have to pay the outstanding LAT.

The State Taxation Bureau clarified LAT settlement to some extent in its Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》) effective February 1, 2007. The Notice clarifies that provincial and local tax bureaus may formulate their own implementing rules and determine how LAT will be settled in their jurisdictions.

We prepay LAT in respect of our pre-sale proceeds and make provisions for the estimated amount of LAT that may be payable in respect of our other sales. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our business, results of operations and financial condition may be materially and adversely affected.

The total GFA of some of our property development projects may exceed the original permitted GFA and the excess GFA is subject to governmental approval and payment of additional land premium

The permitted total GFA for a particular property development is set out in various government documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion for the development, and as a consequence, we would not be in a position to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional government approval and the payment of additional land premium. We may also be liable to purchasers under our sales and purchase agreements.

We cannot assure you that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA for that development, or that the authorities will not determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to pay for any corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our business, results of operations and financial condition.

We may not be able to successfully manage our growth

As we continue to expand, we will have to continue to improve our managerial, development and operational expertise and allocation of resources. To effectively manage our expanded operations, we will need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our property development requirements, including staff with local market knowledge. In order to fund our ongoing operations and our future growth, we need to have sufficient internal capital sources or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of purchasers, tenants, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal controls and compliance functions to ensure that we are able to comply with our legal and contractual obligations and to reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. We may also experience difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

Risks Relating to the Property Market in China

The performance and development of the PRC property market are volatile and subject to the PRC government policies

We are subject to property market conditions in China, particularly in Shanghai and Chongqing. The PRC property market is volatile and may experience oversupply and property price fluctuations, which may in turn adversely affect our business. The Shanghai and Chongqing property markets have been subject to certain fluctuations in recent years, in part due to the adoption of new economic policies and the occurrence of socio-economic events. We cannot assure you that these events will not result in government intervention in the property market in China, which in turn may adversely affect the growth and stability of our industry.

Furthermore, the PRC government has recently introduced certain new policies which are intended to cool down the property market and emphasized the government's determination to strictly enforce regulatory and macro-economic measures, which include, among other things, (i) home purchase restrictions, (ii) increased down payment requirement for second residential-properties purchase, (iii) suspending mortgage financing for third or above residential-properties purchase and (iv) 20% individual income tax rate applied to the gain from the sale of properties.

From 2007 to 2016, the PRC government introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- strictly enforcing the idle land related laws and regulations;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio of less than certain prescribed percentage;
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums; and
- strengthening the administration and control of the land-use and construction of real estates

In particular, the PRC government also introduced the following policies, among others, to specifically control the growth of the residential property market:

- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing a VAT levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- increasing the minimum amount of down payment of the purchase price of the residential property of a family;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property;
- limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by laborers and their family members;
- adjusting the supply of residential land; and
- improving the system for information disclosure on the real estate market.

The central and local governments make policy adjustments from time to time and adopt new regulatory measures in an effort to control the development of the property market in China. We cannot assure you that the PRC government will not change or modify these measures in the future. The adoption of such policies and measures may lead to changes in market conditions, including price instability and imbalance of supply and demand of residential properties, all of which may affect the property markets throughout China in ways that we cannot predict, which in turn may materially and adversely affect our business and financial condition. Also, there can be no assurance that there will not be actual or perceived overdevelopment in the property sector in Shanghai, Chongqing and other parts of China that may result in an actual or perceived oversupply of properties and a decrease in property prices in markets in which we operate, which could be sudden and substantial, any of which could adversely affect our business and financial condition. In addition, the property market in some cities in China has been cyclical in recent years. We cannot assure you that significant declines will not take place in the Shanghai and Chongqing property markets or other markets in which we may operate in the future.

The terms on which mortgages are available, if at all, may affect our sales

Substantially all purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would limit or reduce the availability or attractiveness of mortgage financing to potential property purchasers and many of our prospective customers may not be able to purchase our properties. Furthermore, press reports and other market rumors of such policies and regulations have had the effect of limiting or reducing the availability or attractiveness of mortgage financing and may continue to have such effect, thereby delaying purchases of our properties by prospective customers. Any inability or delay in purchasing our properties may materially and adversely affect our business, results of operations and financial condition.

We face increasing competition which could adversely affect our business and financial condition

In recent years, a large number of property developers have begun to undertake property development and investment projects in China. In addition, a number of international developers have expanded their operations into China, including a number of leading Hong Kong and Singapore property development and investment groups. Many of these developers, both private and state-owned, have greater financial, managerial, marketing and other resources than we do, as well as more experience in property and land development. Competition between property developers is intense and may result in, among other things, increased costs for the acquisition of land for development, excessive demand for properties in certain parts of China, an increase in property prices, a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, an increase in construction costs and difficulty in obtaining high quality contractors and qualified employees. Any such effect may adversely affect our business, results of operations and financial condition. In addition, the property market in China is rapidly changing. If we cannot respond to changes in market conditions more swiftly or effectively than our competitors do, our ability to generate revenue, our financial condition and our results of operations will be adversely affected.

The property industry in China is still at a relatively early stage of development, and there is a significant degree of uncertainty in the market as a whole

Demand for private residential property has been increasing rapidly in recent years. However, increased demand has often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and accordingly, it is very difficult to predict when and how much demand will develop. Limited availability of accurate financial and market information and the general low level of transparency in China contribute to overall uncertainty. Investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property. Finally, the risk of over-supply is increasing in parts of China where property investment, trading and speculation have become more active. If as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, our business, results of operations and financial condition may be materially and adversely affected.

Our investments in the PRC are subject to the PRC government's control over foreign investment in the property sector

Under the Catalog of Guidance on Industries for Foreign Investment (Revised in 2017) (《外商投資產業指導目錄(2017年修訂)》), promulgated by Ministry of Commerce of the PRC (中華人民共和國商務部) ("MOFCOM") and National Development and reform Commission of the PRC (中華人民共和國國家發展和改革委員會)("NDRC") on June 28, 2017, and effective on July 28, 2017, real estate development falls within the category of industries in which foreign investment is permitted. However, the PRC government imposes restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested property enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons.

On July 11, 2006, the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) ("MOHURD"), MOFCOM, the NDRC, PBOC, the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) ("SAIC") and SAFE jointly issued the Opinions on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) (the "171 Opinions"). According to the 171 Opinions, foreign institutions or individuals who purchase properties not for their own use in China should follow the principle of "commercial presence" and apply for the establishment of foreign-invested enterprises pursuant to the regulations on foreign investment in properties. After obtaining the approvals from the relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope. For the establishment of a foreign-invested real estate enterprise ("FIREE"), the MOFCOM authorities and the SAIC authorities will be responsible for the approval and registration of the FIREE and the issuance of a temporary Approval Certificate for a Foreign-invested Enterprise (which is effective for one year) and a temporary business license. Upon full payment of the land premium for the land use rights, the FIREE should apply for the "Certificate of Land Use Rights". With such Certificate of Land Use Rights, the real estate developer can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the MOFCOM authorities and a formal business license with the same approved business term as the formal Approval Certificate for a Foreign-Invested Enterprise from the SAIC authorities. Where the total investment amount of a foreign-invested real estate enterprise is US$10 million or more, its registered capital shall be no less than 50% of the total investment amount; where the total investment amount is less than US$10 million, its registered capital shall follow the requirements of the existing regulations.

In May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Property Sector (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》), which among other things, provides that:

- foreign investment in the property sector in the PRC relating to luxury properties should be strictly controlled;
- prior to obtaining approval for the establishment of foreign-invested property enterprises, either (i) both the land use rights certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;
- foreign-invested property enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign-invested property enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

On June 18, 2008, the MOFCOM issued the Notice on Properly Archiving the Filings for Foreign Investment in Real Estate Sector (《關於做好外商投資房地產業備案工作的通知》). The notice requires that the establishment (including the increase of registered capital) of a FIREE must comply with the principle of one project company engaging in one approved real estate project only. After approving certain issues regarding foreign investment in real estate (including establishment of enterprises, capital increase, share increase, transfer of share ownership and mergers and acquisitions), the local commerce authorities submit the materials originally reported to the Ministry of Commerce for record to the provincial commerce authorities for checking. The provincial competent commerce authorities together with the relevant provincial departments check the said materials. Where the materials conform to the provisions, the provincial competent commerce authorities submit the relevant materials to the MOFCOM for filing.

Moreover, in November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry (《關於加強外商投資房地產業審批備案管理的通知》), which provides that, among other things, the local MOFCOM authorities are not permitted to approve investment companies by foreign investors to engage in the real estate development and management.

These restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material adverse effect on our business, financial condition and results of operations.

The PRC government may impose fines or other penalties on us if any of our projects are not developed in compliance with the terms of the land grant contracts

Under PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premiums and other fees, the specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, or reclaim our land. Specifically, under the land grant contract, if we fail to pay any outstanding land premiums by the stipulated deadline, we may be subject to a late payment penalty. If we fail to fully pay the land premiums within the period stipulated in the land grant contract after the land grant contract became effective, the assignor is entitled to terminate the land grant contract and claim for indemnities. Furthermore, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the land authorities may serve a decision on levy of idle land fee on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to forfeiture unless the delay in development is caused by government actions or by force majeure. Moreover, even if we commence development of the land in accordance with the land grant contract, if the area of the developed land is less than one-third of the total site area of the land, or if the total capital expenditure is less than one-fourth of the total investment of the project, and the development of the land is suspended for over one year without government approval, the land will still be treated as idle land. In the Notice on Promoting the Saving and Intensification of Use of Land (《國務院關於促進節約集約用地的通知》) promulgated by the State Council in 2008, the aforesaid policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources ("MLR") and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the MLR issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the MLR and the Ministry of Housing and Urban-Rural Development ("MOHURD") jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (《關於進一步加強房地產用地和建設管理調控的通知》), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any non-compliance or illegal behaviors in which it engages, such as (1) land idle for more than one year on its own reasons, (2) illegal transfer of land use rights, (3) non-compliance with the land development requirements specified in a land grant contract, and (4) crimes such as taking land by forging official documents and illegal land speculation, have been completely rectified. We cannot assure you that circumstances leading to imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are deemed as holding any land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business prospects, results of operations and financial condition.

On July 19, 2012, the MLR and the MOHURD promulgated the Urgent Notice on Further Tightening the Management of Land for Real Estate and Consolidating the Achievements of Regulation and Control of the Real Estate Market 《國土資源部住房城鄉建設部關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》. The notice provides that all regions shall strictly implement the Measures for the Disposal of Idle Land, deal with the early warning information on idle land displayed in the system for the monitoring and supervision of transactions in the land market, early discover and handle such information, and urge the timely formation of effective supply of land granted. With regard to users who have committed acts such as failing to make payment for land granting, leaving land idle, hoarding land and land speculation, developing land in excess of their actual development capacity or failing to fulfil a land use contract, the competent departments of land and resources of counties and cities shall forbid them from participating in land bidding within a certain period of time.

The progress and costs of a property development project may be materially and adversely affected by many factors, including: (i) delays in obtaining necessary licences, permits or approvals from PRC government agencies or authorities; (ii) changes in property market conditions; (iii) changes in PRC government policies, regulations and/or measures; (iv) relocation of existing residents and/or demolition of existing structures; (v) shortages or increased costs of materials, equipment, contractors and skilled labour; (vi) labour disputes; (vii) construction accidents; (viii) natural disasters or catastrophes; and (ix) adverse weather conditions. We cannot assure you that we will not experience construction delays or failure to start the construction of a property development project according to its planned specifications, schedule or budget as a result any such factors, or that the Group will not be subject to any liabilities for any such delays. We may fail to commence development of our projects on time as a result of such factors and in turn, we may be subject to penalties or the land involved may be treated as idle land. Any such event could have a material adverse effect on the our business, financial condition and results of operations.

We cannot assure you that regulations relating to idle land in China will not become more restrictive in the future. If we fail to comply with the terms of land grant contracts due to delays in our developments, or as a result of factors out of our control, we may not only lose the opportunity to develop the projects on such land, but may also lose all of our past investments in the land, which would materially and adversely affect our business, financial condition and results of operations.

Under a supplemental land grant agreement entered into by Chongqing Riverside Real Estate Co., Ltd. ("Chongqing Riverside") and the relevant government authority dated July 21, 2010 in connection with the development of Chongqing Global Twin Towers, Chongqing Riverside was to begin construction within one year of the signing date of the supplemental agreement, unless the construction plan is not approved for reasons attributable to the government. Chongqing Riverside is in discussions with the relevant authorities on its construction plan and it has not commenced construction.

Under the land grant contracts Shanghai Jing'an Concord Real Estate Co., Ltd. ("Jing'an Concord") signed with relevant governmental authorities in connection with the land to be developed for Shanghai Concord City Phase II, Jing'an Concord was required to complete 60% of the development for plots No. 3 and No. 4 by June 1997. For plot No. 5, Jing'an Concord was required to complete 60% of the development by December 1998 and was required to fully complete the development by June 1999. However, the construction of Phase II North Wing on plots No. 3 and No. 5 started at the end of 2007 and the construction of Phase II South Wing on plot No. 4 has not started. As we have not finished these projects within the required time periods, there is a risk that the land use rights for those parcels of land may be subject to withdrawal by the relevant government authorities and Jing'an Concord may be fined. In March 2010, we registered the construction status of these plots of land with Shanghai Jing'an Bureau of Planning and Land Management and no withdrawal order or fine has been imposed on Jing'an Concord. In September 2012, we received oral confirmation from the relevant government authorities that these plots of land were not considered idle at that time. We have not received any withdrawal order or fine on Jing'an Concord. However, we cannot assure you that the relevant government authorities will not impose withdrawal orders or fines in the future, which could materially and adversely affect our business, results of operations and financial condition.

Potential liability for environmental damages could result in substantial cost increases

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given project development site vary according to the site's location, the site's environmental condition, the present and former uses of the site and the nature and former uses of adjoining properties. Compliance with environmental laws and regulations may result in delays in development, substantial costs and may prohibit or severely restrict project development activity in environmentally sensitive regions or areas. Under PRC laws and regulations, we are required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencing construction of any project. Although the environmental inspections conducted by the relevant PRC environmental protection agencies to date have not revealed any environmental violations that we believe would have a material adverse effect on our business, results of operations or financial condition, there may be potential material environmental liabilities of which we are unaware. In addition, our operations could result in environmental liabilities or our contractors could violate environmental laws and regulations in their operations that may be attributed to us. For more information, see the section entitled "Business — Environmental Matters."

We could be subject to large fines and compensation for damage caused to public or government-owned structures as a result of our operations

We are a property development company and, as such, our construction activities could cause damage to existing structures near the properties we are developing. The PRC government has in the past imposed fines and the payment of compensation for damage caused to public or government-owned structures. In determining the amount of the fine and compensation, the government will take into consideration the relevant guidelines and factual circumstances. According to Civil Air Defense Law of the PRC, dismantling a civil air defense facility shall be approved by the relevant authorities and a company that dismantles such a facility shall be responsible for reconstruction or compensation. For instance, we were required to pay an amount of RMB7.0 million by the relevant authorities for damaging and destroying a civil air defense facility, and could be subject to further fines for damaging or destroying other public or government-owned structures.

The construction business and the property development business are subject to claims under statutory quality warranties

Under the Regulations on the Administration of the Quality of Construction Works (《建設工程質量管理條例》) and the Administrative Measures on the Sale of Commodity Properties (《商品房銷售管理辦法》), all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

The national and regional economies may be adversely affected by natural disasters, epidemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of war, political unrest which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some cities in China may be under the threat of flood, earthquake, rainstorm or drought. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS, H5N1 avian influenza, H1N1 influenza or an outbreak of any other epidemics in China, including the spread of H7N9 avian influenza virus, especially in the cities in which we operate, may result in material disruptions to our property development projects and our sales and marketing efforts, which in turn may adversely affect our business, financial condition and results of operations.

If we are unable to obtain the land use rights for current projects or for projects we may acquire in the future, we will not be able to develop these projects

There is no private ownership of land in China and all land ownership is held by the government of China, its agencies, and collectives. Under PRC laws, the maximum term of the land use rights ranges from 40 years to 70 years depending on the land use purpose. Upon expiration, the land use rights will revert to the PRC government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights. Land use rights can be granted upon approval by the land administrative authorities of China (State Land Administration Bureau) upon payment of the required land granting fee, the entry into a land use agreement with a competent governmental authority and certain other ministerial procedures. We cannot assure you that we will be successful in obtaining the land use right certificates for our projects held for future development or in respect of any land we may acquire in the future in a timely manner, at a commercially reasonable price, or at all. If we are not successful in obtaining the land use rights for such land, we will not be able to develop such properties, which may adversely and materially affect our business, financial condition and results of operations.

Risks Relating to China

Under the enterprise income tax law, we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences for us

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("EIT Law"), an enterprise established outside of China with a "*de facto* management body" within China is deemed a "resident enterprise", meaning that it can be treated in a manner similar to a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another one which directly holds the equity interest therein may qualify as "tax-exempt income." The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with a "*de facto* management body" located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. In addition, the State Administration of Taxation issued the Measures for the Administration of Income Tax for Chinese-controlled Resident Enterprises Registered Overseas (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) (the "Measures") on July 27, 2011 to provide more guidance on the implementation of the aforesaid circular with an effective date of September 1, 2011. The Measures specify that the State Administration of Taxation is entitled, based on a preliminary recognition result made by competent tax authorities either as a result of the application of such foreign enterprises or the investigation conducted by the competent tax authorities, to decide whether a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise".

Although we are not a foreign enterprise controlled by a PRC company or a PRC company group and therefore are not subject to the Measures, we cannot assure you that competent tax authorities would not adopt similar rules to determine whether or not we are a resident enterprise.

Since substantially all of our management is currently based in China, we cannot assure you that we will not be deemed a "resident enterprise" under the EIT Law and, therefore, be subject to enterprise income tax at a rate of 25% on our global income in the future. Our business, financial condition and results of operations may be materially and adversely affected if we are subject to PRC taxation on our global income.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations

The PRC legal system is based on statutory law. Under this system, prior court decisions may be cited as persuasive authority but do not have binding precedential effect. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organization and governance, property title, foreign investment, commerce, taxation and trade. Because these laws, regulations and legal requirements are relatively new and evolving, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involves some uncertainty. Such uncertainties may lead to difficulties in enforcing our land use rights and in resolving disputes with contractors and others and could result in unanticipated costs and liabilities.

Due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by who an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

Furthermore, our operations in China are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of noteholders rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions.

Interest payable by us to our foreign investors and gain on the sale of our Notes may become subject to withholding taxes under PRC tax laws

Under the EIT Law, if our Company is deemed a PRC resident enterprise, the interest payable on the Notes may be regarded as sourced from within the PRC and therefore subject to PRC withholding tax at the rate of 10% when paid to nonresident enterprise holders of the Notes, so long as such nonresident enterprise holders do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, or at a rate of 20% when paid to nonresident individual holders of the Notes (or lower tax treaty rate, if any). Similarly, any gain realized on the transfer of the Notes by such investors will be subject to a 10% enterprise income tax rate or 20% individual income tax rate (or lower tax treaty rate, if any) if such gain is regarded as income derived from sources within China. It is uncertain whether we will be considered a PRC "resident enterprise", so we are not sure whether the interest payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Notes, would be treated as income sourced within China and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on our interest payable to our foreign shareholders who are "non-resident enterprises" , we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise", holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Our operations and financial performance could be adversely affected by labor shortages, increase in labor costs, changes to the PRC labor-related laws and regulations or labor disputes

The PRC Labor Contract Law ("Labor Contract Law"), which became effective on January 1, 2008, imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations to be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the Labor Contract Law could adversely affect our ability to effect such changes in the most cost effective or timely manner to our business, hence may adversely affect our financial condition and results of operations. In addition, the PRC government has continued to introduce various new labor-related regulations after the promulgation of the Labor Contract Law. Among other things, the paid annual leave provisions require that paid annual leaves ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law, which became effective on July 1, 2011, to clarify the contents of the social insurance system in China. According to the Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labor protection, our labor costs may continue to increase. Furthermore, as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to face labor disputes or governmental investigations. If we are deemed in violation of such labor laws and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result our business, financial condition and results of operations could be materially and adversely affected.

Further, labor disputes, work stoppages or slowdowns at our operating subsidiaries or project sites or affecting the operations of our business partners could disrupt our daily operation or our expansion plans, which could have a material adverse effect on our business and results of operations.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy, the PRC real estate industry and the selected PRC regional data contained in this information memorandum

Facts, forecasts and other statistics in this information memorandum relating to China, the PRC economy, the PRC property industry and the selected PRC regional data have been derived from various official or other publications available in China and may not be consistent with other information compiled within or outside China. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Placing Agent or any of our or its affiliates or advisors (including legal advisors), or other participants in this offering and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics. We have, however, taken reasonable care in the reproduction and/or extraction of the official and other publications for the purpose of disclosure in this information memorandum. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this information memorandum may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy, the PRC real estate industry and the selected PRC regional data contained in this information memorandum.

PRC regulation of loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals or registrations. For example, loans by us to our wholly owned PRC subsidiaries cannot exceed statutory limits and must be registered with the SAFE or its local branches. In addition, a foreign-invested real estate enterprise shall comply with following rules as stated in the Guidelines of Operation and Administration of Foreign Debt Registration dated May 13, 2013:

(i) SAFE no longer processes foreign debt registrations by FIREEs if such FIREEs obtained their approval certificates from the relevant PRC governmental authorities and had effected their filings with MOFCOM on or after June 1, 2007.

(ii) FIREEs established before June 1, 2007 shall still have the right to incur foreign debts within the statutory limit, which equals the outstanding balance between total investment and registered capital prior to the increase, or the outstanding balance between total investment and registered capital of such enterprises upon and after the increase, whichever is less.

(iii) FIREEs cannot borrow foreign debt and process foreign debt registrations if its registered capital has not been fully paid, or the land use rights certificates have not been obtained or its capital ratio of project development has not reached 35%.

We may also decide to finance our PRC subsidiaries through capital contributions. According to the relevant PRC regulations on foreign-invested enterprises, depending on the amount of total investment and the type of business in which a foreign-invested enterprise is engaged, capital contributions to foreign-invested enterprises in China are subject to approval by the MOFCOM or its local branches. On August 29, 2008, SAFE promulgated the Notice on Relevant Business Operations Issues Concerning Improving the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) ("Notice 142") which regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Notice 142 requires that the Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of the Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise. The use of such Renminbi capital may not be changed without SAFE's approval, and may not, in any case, be used to repay or prepay the unused Renminbi loans. Violations of Notice 142 will result in severe penalties, such as heavy fines as set out in the relevant foreign exchange control regulations. As a result, we may not be able to increase the capital contribution to our PRC subsidiaries and subsequently convert such capital contribution into Renminbi for equity investment or acquisition in China.

We may not be able to obtain the above-mentioned government registrations, approvals or filings on a timely basis, or at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to receive such registrations, approvals or filings, our ability to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

It may be difficult to effect service of process upon our PRC subsidiaries or to enforce against us in China any judgments obtained from non-PRC courts

We conduct our operations through our PRC subsidiaries. Consequently, substantially all of the assets of the aforesaid subsidiaries are located within China. Therefore, it may not be possible for investors to effect service of process upon our PRC subsidiaries or to enforce against them in China any judgments obtained from courts outside the PRC.

China does not have treaties providing for the reciprocal recognition and enforcement of civil judgments of courts in the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, Japan or other countries with which prospective investors may be familiar. Effective from August 1, 2008, an arrangement between the PRC government and Hong Kong provides for the reciprocal recognition and enforcement of civil judgments between the PRC and Hong Kong. However, there are many restrictions on such arrangement. As a result, it may not be possible for investors to effect service of process upon our PRC subsidiaries pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in China of judgments of courts outside China may be difficult or impossible.

PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial condition and financial results

We conduct our business operations predominantly in the PRC. The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- political structure;
- level of the PRC government involvement and control;
- growth rate and level of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to curtail certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

Changes in foreign exchange regulations may adversely affect our ability to transfer funds and subsequently impact the results of our operations

We currently receive most of our revenues from operations in the PRC and such revenues are denominated in Renminbi. The PRC government regulates the conversion between Renminbi and foreign currencies. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions and payment of dividends. However, foreign exchange transactions by our PRC subsidiaries under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. There can be no assurance that these PRC laws and regulations on foreign investment will not cast uncertainties on our financing and operating plans in China. Under current foreign exchange regulations in China, subject to the relevant registration at the SAFE, we will be able to pay dividends in foreign currencies, without prior approval from the SAFE, by complying with certain procedural requirements. However, there can be no assurance that the current PRC foreign exchange policies regarding debt service and payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies might have a negative impact on our ability to service our foreign currency-denominated indebtedness, including the Notes, and to distribute dividends to our shareholders in HKD.

In addition, on August 29, 2008, the SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or the Circular 142, a notice with respect to the administration of Renminbi converted from foreign exchange capital contributions of a foreign invested enterprise. As a result, unless otherwise permitted by PRC laws or regulations, such converted amount can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On March 30, 2015, the SAFE issued the Circular on Reforming the Administration Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or Circular 19, which became effective on June 1, 2015 and replaced Circular 142. Circular 19 provides that, the conversion of the Renminbi capital from foreign currency registered capital of foreign-invested enterprises may be at foreign-invested enterprises' discretion, which means that the foreign currency registered capital of foreign-invested enterprises for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry of monetary contribution has been registered) can be settled at the banks based on the actual operational needs of the enterprises. However, Circular 19 maintains the restriction that Renminbi converted from foreign exchange capital contributions of foreign invested enterprises can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

BUSINESS

Overview

Our Company was incorporated in the British Virgin Islands on February 8, 2005 as an international business company with limited liability. We are a wholly owned subsidiary of China Properties Group Limited ("CPG"), an exempted company with limited liability incorporated in the Cayman Islands on March 14, 2005, whose shares have been listed on the Stock Exchange of Hong Kong Limited since February 23, 2007. We are a property development and investment company in China focusing on developing and creating high-quality, large-scale residential and commercial projects in strategic locations in Shanghai and Chongqing. We design our properties based on themes and concepts drawn from different cultures. Our properties are designed to target the significant and growing population of middle- and upper-middle-class purchasers and consumers in China, who we believe are attracted to a modern and upscale lifestyle and atmosphere. Our overall objectives are to exploit business opportunities, achieve sales growth and enhance rental income.

In selecting the locations of our residential projects, our focus is on suburban areas of major cities that we believe offer convenient transportation, particularly via subway and rail. We design our commercial properties with a view to attracting customers that are interested in luxury goods and services. Accordingly, we only select locations for our commercial development that we believe are among the most well-known commercial locations within a city.

We have in the past focused, and intend to continue to focus, on developing the following:

- **High-end and sizeable middle- and upper-middle-class residential projects.** These are both high-end and well-located residential projects for the growing middle class in Shanghai and Chongqing. We aim to develop leading residential projects with luxurious designs, characterised by themes and motifs, are connected with mass transit system with rapid, convenient and efficient transportation.

- **Modern and upscale themed shopping street developments.** These are modern, well-designed architectural projects located in prime retail areas in major cities in China, which combine retail, residential, entertainment, cultural and recreational uses with great accessibility, and act as a focal point to attract residential, investment and business operations.

By designing our developments to include such concepts, we seek to distinguish our developments from those of our competitors, enhance our brand name and improve our results of operations.

As at June 30, 2018, our property projects consist of the following:

- Shanghai Cannes. We are developing this large-scale residential community with supporting retail areas on a site located in the Minhang District of Shanghai. This project has five phases with different themes, and is expected to comprise a total GFA of approximately 1,984,313 sq.m. The construction and development of Phases I to IV has been completed and all the residential and part of the retail portions, comprising a GFA of 1,582,968 sq.m., have been sold and delivered. Phase V is currently under planning, with completion expected between 2020 and 2021.

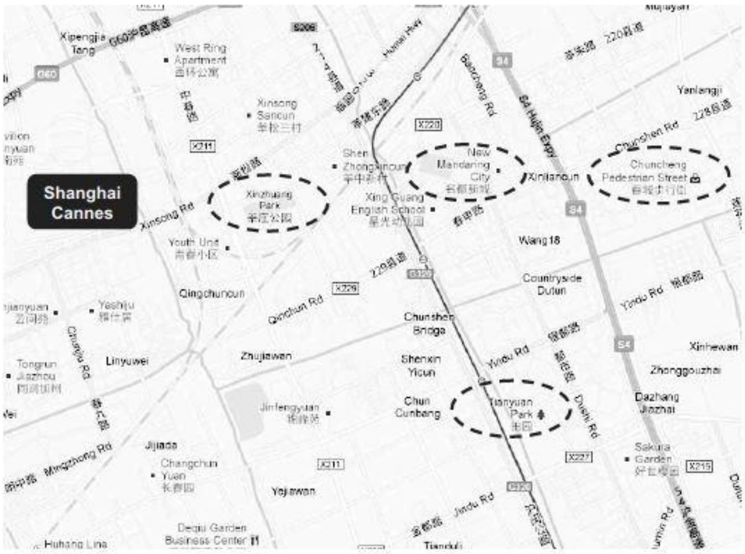
- Shanghai Concord City. We are developing this large-scale integrated retail, residential, office and hotel project located on West Nanjing Road, one of the most well-known shopping streets in Shanghai. This project is expected to comprise a total GFA of approximately 412,918 sq.m. We aim to establish Shanghai Concord City as one of the largest and highest-quality integrated retail, residential and commercial developments in Shanghai. The construction and development of Phase I, comprising a GFA of 64,332 sq.m., has been completed, of which 63% of residential portion of Phase I has been sold and delivered and the remaining of the residential portion for Phase I is currently for sale. Phase II North Wing, comprising a GFA of 63,356 sq.m., is currently under development, with completion expected in 2018 and Phase II South Wing is currently under planning and is expected to commence construction in 2019.

- Chongqing Manhattan City. We are developing this large-scale residential and retail community in Ba'nan District in Chongqing. This project is expected to include shopping complexes. This project is expected to be constructed in four phases with a total GFA of approximately 2,604,661 sq.m. The construction and development of Phase I and a portion of Phase II, together comprising a GFA of 717,784 sq.m., has been completed, of which 604,834 sq.m. of residential properties have been sold and delivered. Construction of the retail and low-rise portions of Phase II is expected to complete in 2019. Approval for development of Phase IV is expected to receive by 2018. The remaining Phase I, Phase II and pre-sale of Phase III residential is currently for sale.

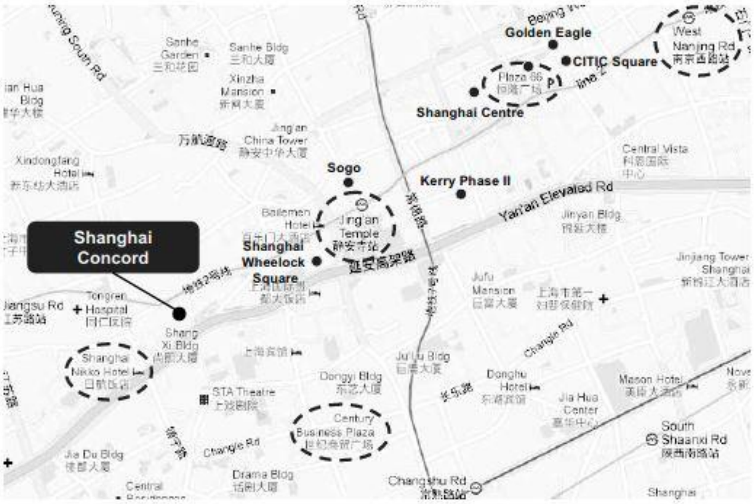
- Chongqing Concord City. We are developing this large-scale integrated residential, retail, office and hotel project in the People's Liberation Monument area of Chongqing. This project is expected to have a total GFA of approximately 408,927 sq.m. and is expected to commence construction in 2018 and be completed between 2019 and 2021.

- Chongqing International Commerce Centre. We are developing this large-scale integrated residential, retail, office and hotel project conveniently located in Nan'an District in Chongqing. This project is expected to have a total GFA of approximately 1,947,900 sq.m.

The following map shows the location of Shanghai Cannes.



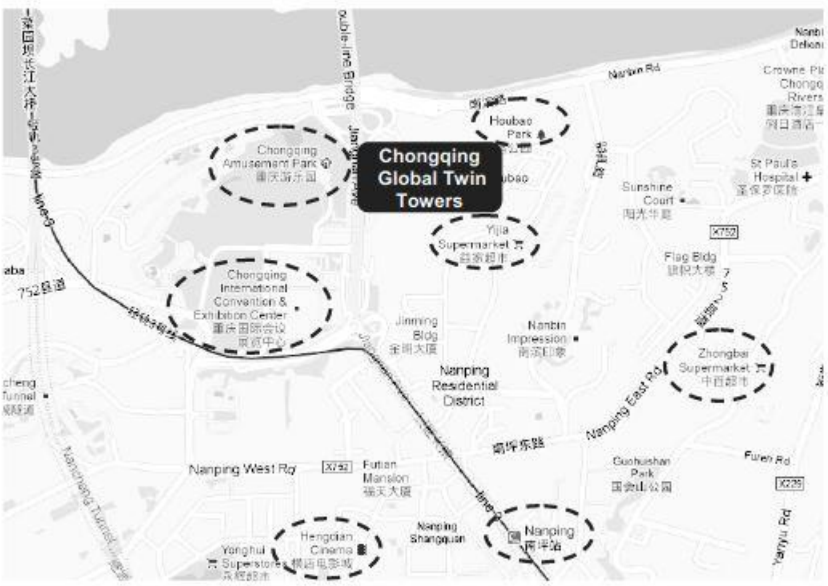
The following map shows the location of Shanghai Concord City.



The following map shows the location of Chongqing Manhattan City.

The following map shows the location of Chongqing Concord City.

The following map shows the location of Chongqing International Commerce Centre.



In addition, CPG has been granted the Beijing Concord Option by Mr. Wong, under which CPG has the option to acquire a 50% equity interest in the project company that owns the rights to a proposed property development project on Xidan Street in Beijing. The project is on a site area of over 80,000 sq.m. with a proposed GFA of approximately 347,595 sq.m., including over 130,000 sq.m. of retail space. The Beijing Concord Option is exercisable by CPG at any time before the expiry of 12 months after valid land use rights certificates to develop the whole property subject to the land grant contract have been granted.

We earn revenue primarily from the sales of our properties, particularly residential properties. In addition, we earn revenue by leasing our investment properties and by providing property management services to occupiers of our properties. In 2015, 2016, 2017 and the six months ended June 30, 2018, we recorded revenue of RMB71.7 million, RMB206.2 million, RMB215.4 million and

RMB28.8 million, respectively, with sales of properties accounting for approximately 91.4%, 96.0%, 95.2% and 79.2%, respectively, of total revenue.

Our Competitive Strengths

Our developments are situated in strategic locations.

We consider the locations of our developments to be fundamental to their success. In selecting development sites for our residential projects, we focus on the suburban areas of major cities that offer convenient transportation, particularly via subway and rail. We design our commercial properties with a view to attracting customers that are interested in luxury goods and services.

Accordingly, we only select commercial locations for development that we believe are among the most well-known commercial locations within a major city. The locations of our current developments are consistent with these criteria:

- Shanghai Cannes is located in Minhang District, a fast-growing suburban residential area in Shanghai, and is accessible via two major roads and several means of public transport, including rail and subway.

- Shanghai Concord City is centrally located on West Nanjing Road of Jingan District, one of the most well-known shopping streets in Shanghai, and is accessible via several means of public transportation, including bus and subway.

- Chongqing Manhattan City is centrally located on Lijiu Road and is at the interchange of major light rail lines, making it a key transportation hub of South Chongqing in the future. It also has direct access to Nanping, Yuzhong, Yangjiaping and other key suburban and urban districts via over 20 bus lines.

- Chongqing Concord City is strategically located near the People's Liberation Monument, which is a World War II victory monument and a landmark of Chongqing. This project has direct access to subway and light rail, and is within walking distance to several bus stations heading to Nan'an, Jiangbei and other districts.

- Chongqing International Commerce Centre is conveniently located on Jiangnan Avenue with direct access to a subway station which is under construction and another potential subway station of another subway line. It is also within walking distance of several bus stops.

We believe the locations of all our current projects and other strategically located sites that we may pursue in the future will assist us in creating projects that attract strong interest among buyers and tenants, thus enhancing and maximizing our revenue and profitability.

The large scale of our developments provides us with greater economies of scale, the ability to incorporate design features, and other advantages.

We seek to distinguish ourselves from our competitors by focusing exclusively on developing large-scale properties. Our current projects, Shanghai Cannes, Shanghai Concord City, Chongqing Manhattan City, Chongqing Concord City and Chongqing International Commerce Centre, have total GFAs of approximately 1,984,313 sq.m., 412,918 sq.m., 2,604,661 sq.m., 408,927 sq.m. and 1,947,900 sq.m., respectively. In the future, we plan to focus on projects with a GFA of more than one million sq.m. As part of our focus on large-scale projects, we generally seek to acquire the entire plots of land necessary to build our projects at the outset, which we believe helps us to minimize land premiums and allows us to use such land in obtaining financing for the project. As a result, we believe the large scale of these projects has provided us with greater economies of scale and helped us to achieve a higher profit margin than those of our competitors that engage in a higher volume of lower margin developments. The size of our projects also facilitates our effort to incorporate design features based on varying themes and concepts aimed at enhancing the ambience of our projects. In addition, the scale of our developments enables us to offer a more comprehensive range of support services within our residential development projects, such as recreational facilities, supermarkets, restaurants, clinics and kindergartens. We believe the availability of such on-site services enhances the appeal of our developments to our potential purchasers and tenants.

Good quality tenant base and strong relationships with international business partners.

We seek to maintain a good quality tenant base and strong relationships with international business partners. Our retail tenants will include some of the good quality international names in the fashion and food and beverage industries. We believe these relationships allow us to maintain a higher occupancy rate for our rental properties by enhancing the profile and attractiveness of these properties, while also improving the marketability and prospects of our residential properties and hotels which are developed in conjunction with such retail properties.

We have also partnered with top international architects and contractors, as well as internationally recognized designers and large state-owned construction companies to further enhance the value and appeal of our projects to our customers.

In addition, we have engaged Indigo Hotel as the hotel operator, and are currently negotiations with internationally recognized retailers, restaurants and banks for the rental agreements for Shanghai Concord City Phase II North Wing. We believe that stable, long-term collaborative relationships with these partners enhance not only the attractiveness of our property developments and investments, but also our long-term prospects as we continue to develop and expand our business and brand in China.

Substantially all of the land in our existing portfolio is land that has already been cleared and for which there are no major relocation challenges.

We believe we benefit from a portfolio of land that has substantially all been cleared. Under PRC laws and regulations, a property developer that wishes to demolish existing buildings to make way for new development must compensate the residents of those existing buildings for their resettlement costs. The amount of such relocation costs is determined in accordance with applicable PRC laws. If the housing expropriation department and the affected residents fail to reach an agreement on the relocation costs, the development of the site will be delayed.

The total site areas of all our current projects are free of any major issues or concerns relating to the relocation of any current residents or tenants, including the payment of resettlement costs. Accordingly, the absence of major relocation issues on our existing projects reduces our development risks from both a cost and financing perspective.

We have a strong project management and design team and experienced senior management.

Our project management and design team, consisting of 34 employees, of whom 21 are professionally qualified architects, engineers or surveyors, closely monitors each stage of the development process for each project, including overseeing the architectural and interior design of our projects, liaising with external designers and architects, supervising and managing construction costs, schedules and quality. In addition, our senior management has significant experience in property development in China, with some having been involved in property development projects in Shanghai and/or Chongqing since the 1990s. Our managing director, Mr. Wong Sai Chung, has over 33 years of experience in the property development market in China and, in particular, has over 21 years of experience in the Shanghai property market. In addition, Mr. Xu Li Chang, one of our executive directors, is experienced in the PRC construction industry and has been with the Group since 1998.

We consider the strength of our project management and design team to be fundamental to the success of our development projects in a highly competitive market such as China where careful site selection, detailed planning, stringent cost control and quality control are essential. We believe we have benefited, and will continue to benefit, from their extensive experience and knowledge of the China property market.

Our Strategies

We intend to continue to focus on developing and creating high-quality, large-scale residential and commercial projects in strategic locations in and around Shanghai, Chongqing and possibly other major cities in China, such as Beijing. We intend to achieve this overall objective by pursuing the following strategies:

Seeking to achieve and maintain a diverse mix of sale and investment properties.

We earn substantially all of our revenue from sales of properties. With the development of Shanghai Concord City, Chongqing Manhattan City, Chongqing Concord City and Chongqing International Commerce Centre, we have sought greater diversification into retail, office, hotel and other commercial properties. We believe that by diversifying into the retail, office, hotel and other commercial markets, while continuing to develop our properties in the residential sector, we reduce our risk of over-reliance on any particular sector of the market.

We intend to maintain a diversification of revenue between, on the one hand, development activities that generate profits from sales of completed properties and, on the other hand, investment income from properties we develop with a view to leasing for recurring rental income. Through the ownership of investment properties, we have a long-term exposure to the Chinese property market, which in turn offers us the potential for capital gains.

To maintain a stable source of income, we intend to retain a majority of our retail, office, hotel and other commercial properties for rental. We expect our sale properties, together with our investment properties, will form complementary components of the same large-scale developments. We believe the benefits of this strategy include:

- rental income helps provide greater diversification and stability of future income during unpredictable market cycles;
- the potential for long-term capital gains through our investment portfolio; and
- a diversified asset base to support funding for our future activities.

Partnering with professional property management companies and securing long-term anchor tenants.

We are in discussions to engage experienced professional property management companies to manage our retail and hotel property developments for Shanghai Concord City. We believe that the management skills as well as sales and marketing expertise of these professional companies will help to enhance the competitiveness of our retail and commercial properties.

We intend to work closely with the property management companies that we engage in an effort to secure long-term anchor tenants, including department stores, hypermarkets and chain retailers, in the early phases of development of our projects, in part to mitigate development risk. We believe securing long-term anchor tenants during the early phases of our property developments may help us to raise the general attractiveness, profile, reputation and pedestrian traffic of our projects, which in turn will help to enhance their value and desirability.

Continuing to utilize pre-sale whenever possible when offering our properties for sale.

We believe that pre-sale of our properties for sale provides a number of strategic benefits to us, such as:

- reducing upfront cash requirements to fund developments;
- improving working capital efficiency;
- increasing future earnings transparency;
- providing additional timing flexibility, which in turn increases our ability to deal with property market cycles; and
- decreasing the time our developments are exposed to sales risk.

Selectively identifying land for future development

As part of our continuing strategy to focus on developments of a selected number of large-scale projects in strategic locations, we intend to continue to be selective in identifying land suitable for our future development. In addition, we may exercise the Beijing Concord Option to acquire a 50%

interest in the project company that owns the rights to a proposed property development project on Xidan Street in Beijing. The project is on a site area of over 80,000 sq.m. with a proposed GFA of 347,595 sq.m., including over 130,000 sq.m. of retail space. The Beijing Concord Option is exercisable by CPG at any time before the expiry of 12 months after valid land use rights certificates to develop the whole property subject to the land grant contract have been granted.

Property Descriptions

We currently have five projects, Shanghai Cannes, Shanghai Concord City, Chongqing Manhattan City, Chongqing Concord City and Chongqing International Commerce Centre. We classify our projects under three categories of development. The following is a description of these categories:

- Completed property developments. A property development is completed when we have received the Construction Work Completion Inspection Certificates for that project. These certificates are typically issued only when we have provided the relevant government authorities copies of approvals from the bureaus of planning, fire services and environmental protection, as well as signed guarantees of construction quality from contractors and other documents required by the relevant laws and regulations.

- Properties under development. We consider a property to be under development when we have commenced substantial preparatory work, such as geological survey and project and design planning. We may start our preparatory work prior to or after receiving the relevant construction permits.

- Properties held for future development. These consist of projects we plan to develop with respect to which a more detailed development plan is not yet available.

All of our projects are developed in multiple phases on a rolling basis, and as a result, one project may have phases in different categories. Furthermore, due to the large scale of our projects, each phase of our projects is developed in multiple sub-phases, and accordingly, one phase of a project may have sub-phases in different categories.

The table below sets forth certain information relating to the particulars of our major properties as of June 30, 2018:

Project	Total GFA[1]	Actual or estimated pre-sale/lease commencement time[2]	Actual or estimated completion time[3]
	(sq.m.)		
Completed property developments			
Shanghai Cannes			
Phase I – Residential	236,987	Q3 1999	Q1 2001 to Q3 2003
Phase II - Residential	386,328	Q2 2003	Q4 2004 to Q1 2006
Phase III - Residential	456,671	Q3 2004	Q2 2006 to Q4 2006
Phase IVA - Residential	233,032	Q2 2006	Q1 2008
Phase IVB - Residential	182,467	Q3 2007	Q4 2008
Phase I-IV – Retail	14,234	Q3 2003	Q4 2002
Phase I-IV – Parking spaces	164,594	Q1 2000	Q4 2008
Shanghai Concord City			
Phase 1 – Residential – Tower I	15,576	Q3 1994	Q4 1997
Phase I – Residential – Tower II	15,576	Q1 2001	Q4 2000
Phase I – Retail	24,733	Q1 2001	Q4 2000
Phase I – Parking spaces	8,447	Q1 2001	Q4 2000
Chongqing Manhattan City			
Phase I – Residential	375,396	Q4 2009 to Q1 2013	Q4 2011 to Q3 2012
Phase I – Retail	31,720	Q2 2016	Q4 2012
Phase I – Parking spaces	91,009	Q2 2016	Q1 2015 to Q1 2017
Phase II – Retail	7,467	Q2 2016	Q2 2014
Properties under development			
Shanghai Cannes			
Phase V – Residential	200,000	2019	2020 to 2021
Phase V – Retail	90,000	2019	2020 to 2021
Phase V – Parking spaces	20,000	2019	2020 to 2021

Project	Total GFA[(1)]	Actual or estimated pre-sale/lease commencement time[(2)]	Actual or estimated completion time[(3)]
	(sq.m.)		
Shanghai Concord City			
Phase II North Wing – Retail	38,628	2018	2018
Phase II North Wing – Hotel	5,941	2018	2018
Phase II North Wing – Parking spaces	18,787	2018	2018
Chongqing Manhattan City			
Phase II – Residential	437,959	2010 to 2018	2012 to 2019
Phase II – Parking spaces	90,115	2010 to 2018	2012 to 2019
Phase III – Residential	394,022	2016 to 2018	2019 to 2020
Phase III – Retail	10,000	2016 to 2018	2019 to 2020
Phase III – Parking spaces	73,973	2016 to 2018	2019 to 2020
Phase IV – Residential	387,000	2019	2019 to 2021
Phase IV – Retail	706,000	2019	2019 to 2021
Chongqing Concord City			
Residential	137,264	2019	2019 to 2021
Retail	103,236	2019	2019 to 2021
Parking spaces	59,085	2019	2019 to 2021
Office	79,500	2019	2019 to 2021
Hotel	29,842	2019	2019 to 2021
Properties held for future development			
Chongqing International Commerce Centre			
Residential	1,053,000	—	2019 to 2021
Retail	200,000	—	2019 to 2021
Parking spaces	397,900	—	2019 to 2021
Office	237,000	—	2019 to 2021
Hotel	60,000	—	2019 to 2021
Shanghai Concord City			
Phase II South Wing – SOHO/ Office	72,972	—	2019 to 2022
Phase II South Wing – Retail	112,994	—	2019 to 2022
Phase II South Wing – Office	54,505	—	2019 to 2022
Phase II South Wing – Parking spaces	37,419	—	2019 to 2022
Phase II South Wing – Huashan Building	7,340	—	2019 to 2022

(1) The amounts for "total GFA" in this table and elsewhere in this information memorandum, including those under this "Property Descriptions" section are derived on the following basis:

- *Where a property has been sold and delivered and the relevant title certificate has been transferred, the amount for GFA is based on the relevant title certificate;*
- *Where a title certificate has not been transferred but the relevant property has been pre-sold, the amount for GFA is based on the pre-sale contract relating to such property;*
- *Where a property has not been sold or pre-sold but the relevant pre-sale permit has been received, the amount for GFA is based on such pre-sale permit;*
- *Where a pre-sale permit has not been received but the relevant land grant contracts have been signed, the amount for GFA is based on such land grant contracts; and*
- *Where land grant contracts have been signed, the amount for GFA represents our internal estimates based on our current development plans.*

(2) Pre-sale/lease commencement dates refer to dates on which we received or expect to begin pre-sale or pre-lease activities after receiving the relevant pre-sale permits.

(3) These dates and the completion dates included elsewhere in this information memorandum, including those under this "Property Descriptions" section, are derived on the following basis:

- *Where the certified report in respect of a property development has been obtained, the completion date of that property development is taken to be the date of the relevant certified report;*
- *Where the certified report in respect of a property development has not been obtained but pre-sale has commenced, the completion date of that property development will be deemed to be the date of delivery of vacant possession specified in the relevant pre-sale contract; and*
- *Where the certified report in respect of a property development has not been obtained and pre-sale has not commenced, the completion date represents our internal estimates based on our current development plans.*

In general, land use rights in the PRC are granted for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive use properties. The relevant authorities will not issue the land use rights certificate on a parcel of land until the land premium is paid in full and, as applicable, the relocation process is completed. As a result, in order to adjust to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates are granted at different stages of development. This partly contributes to our decision to develop our projects in phases and sub-phases.

Shanghai Cannes

Shanghai Cannes is a large-scale theme residential and retail project located on a site of approximately 950,000 sq.m. in the Minhang District of Shanghai and is accessible via two major roads, the Humin High Rise Express and the Outer Ring Highway. Shanghai Cannes is expected to have a total project GFA of approximately 1,984,313 sq.m. (including parking lots and units sold and delivered) and can be reached by various means of public transportation.

The following table sets forth certain information relating to Shanghai Cannes as of June 30, 2018:

	Completed property developments			Properties under development	
	GFA sold and delivered	GFA contracted to be sold but not yet delivered	GFA available for sale/lease	GFA planned for lease	GFA planned for sale
			(sq.m.)		
Phase I – Residential	236,987	-	-	-	-
Phase II – Residential	386,328	-	-	-	-
Phase III – Residential	456,671	-	-	-	-
Phase IVA – Residential	233,032	-	-	-	-
Phase IVB – Residential	182,467	-	-	-	-
Phase I-IV - Retail	4,596	-	9,638	-	-
Phase I-IV – Parking Spaces	82,887	-	81,707	-	-
Phase V – Residential	-	-	-	-	200,000
Phase V – Retail	-	-	-	-	90,000
Phase V – Parking Spaces	-	-	-	-	20,000
Total	1,582,968	-	91,345	-	310,000

We have completed the construction of Shanghai Cannes Phases I, II, III, IVA and IVB of Shanghai Cannes, which comprise a total GFA of approximately 1.5 million sq.m., including GFA sold and delivered. The residential areas of all Phases I to IV have all been delivered. Phase V is currently under planning, and we have obtained the relevant construction land use planning permit. We currently expect to complete the construction of Phase V between 2020 and 2021.

Shanghai Concord City

Shanghai Concord City is a mixed development of retail space, residential units, office space, and two hotels on the west end of Nanjing Road, a major road in Shanghai that starts at the Bund in the east and ends at the junction of Zhenning Road and Yan'an West Road in the west, which is also one of the most well-known prime shopping streets in Shanghai. Shanghai Concord City is expected to cover a total site area of approximately 50,428 sq.m. and when completed, is planned to have a total project GFA of approximately 412,918 sq.m. (including parking lots and units sold and delivered). We are developing Shanghai Concord City in two phases. Phase I of Shanghai Concord City has been completed and Phase II is currently under development, which includes Huashan Building, an existing historical building that we plan to renovate into a hotel.

Phase I of Shanghai Concord City consists of:

- retail space which is currently under renovation; and
- serviced apartments in two buildings, with Tower I originally completed in 1997 and Tower II originally completed in 2000.

Phase II of Shanghai Concord City is planned to include:

- a retail street;
- Grade-A office space;
- SOHO and office space; and
- a hotel and attached retail space.

Huashan Building is a part of Phase II South Wing, and is planned to be renovated into a hotel with attached retail space.

Phase I of this project has been completed, and as of June 30, 2018, approximately 19,646 sq.m. of residential properties had been sold and delivered. The remaining Phase I residential properties are currently for sale. In addition, the retail areas of Phase I are currently under renovation in anticipation of the launch of the Phase II retail units. Phase II North Wing is currently under development, with completion expected in 2018, and Phase II South Wing is currently under planning, with completion expected between 2019 and 2022.

The following table sets forth certain information relating to Shanghai Concord City as of June 30, 2018:

	Completed property developments			**Properties under development**	
	GFA sold and delivered	**GFA contracted to be sold but not yet delivered**	**GFA available for sale/lease**	**GFA planned for lease**	**GFA planned for sale**
			(sq.m.)		
Phase I					
Retail..	-	-	24,733	-	-
Residential – Tower I....................	9,330	-	6,246	-	-
Residential – Tower II..................	10,316	100	5,160	-	-
Phase II					
North Wing – Retail.....................	-	-	-	38,628	-
North Wing – Hotel	-	-	-	5,941	-
South Wing – Grade-A office space	-	-	-	54,505	-
South Wing – SOHO/office	-	-	-	-	72,972
South Wing – Retail......................	-	-	-	112,994	-
South Wing – Huashan Building – Hotel	-	-	-	7,340	-
Total...	19,646	100	36,139	219,408	72,972

Chongqing Manhattan City

We are developing Chongqing Manhattan City, which is planned to be a large-scale residential and commercial project with four phases. Chongqing Manhattan City is located at Lijiu Road, Chongqing, and is at the interchange of major light rail lines. Chongqing Manhattan City is expected to cover a total site area of 556,711 sq.m. and when completed, is planned to have a total project GFA of approximately 2,604,661 sq.m. (including parking lots and units sold and delivered).

Phase I includes:

- retail space, comprising convenient grocery stores;
- a king tower with two blocks, equipped with individual prestigious swimming pools;
- a queen tower, surrounded by relaxing gardens, ponds and hills; and
- 30 high-rise apartment buildings.

Phase II, comprising the Villa Zone, is planned to include:

- 66 villas and 18 high-rise residential buildings; and
- retail space.

Phase III is planned to include:

- retail space; and
- 22 luxury European type houses separately with intertwining gardens and ponds.

Phase IV is planned to include residential development, serviced apartments, hotels and retail space.

The following table sets forth certain information relating to Chongqing Manhattan City as of June 30, 2018:

	Completed property developments			**Properties under development**	
	GFA sold and delivered	**GFA contracted to be sold but not yet delivered**	**GFA available for sale/lease**	**GFA planned for lease**	**GFA planned for sale**
			(sq.m.)		
Phase I – Manhattan Residential and Beverly Hills					
Retail..	-	-	31,720	-	-
Residential................................	310,898	16,405	48,093	-	-
Phase II - The Villa Zone					
Residential................................	293,936	5,262	4,003	-	134,758
Retail..	-	-	7,467	-	-
Phase III – The European Type House Zone					
Residential................................	-	-	-	-	394,022[(1)]
Retail..	-	-	-	10,000	-
Phase IV – World Number One Shopping Mall					
Retail..	-	-	-	706,000	-
Residential................................	-	-	-	-	387,000
Total...	604,834	21,667	91,283	716,000	915,780

(1) Including 80,094 sq.m. that are pre-sold and 1,203 sq.m. available for pre-sale.

Chongqing Concord City

We are developing Chongqing Concord City, which is expected to be a commercial and residential complex at the heart of Chongqing's central business district, with proximity to Chongqing People's Liberation Monument and the light rail station of Jiaochangkou. Chongqing Concord City has a total site area of approximately 18,369 sq.m. and, when completed, is planned to have a total project GFA of approximately 408,927 sq.m. (including parking lots). Chongqing Concord City is planned to offer indoor and street-level shopping experiences, housing shops of international brands and good quality local brands. Its hotel will cater to both local and international corporate clients. The residential complex is expected to comprise fully furnished apartments in a private setting with spacious living spaces. Chongqing Concord City is currently under planning. We expect to complete Chongqing Concord City in stages between 2019 and 2021.

The following table sets forth certain information relating to Chongqing Concord City as of June 30, 2018:

	Properties under development	
	GFA planned for lease	GFA planned for sale
	(sq.m.)	
Retail	103,236	-
Residential	-	137,264
Office	79,500	-
Hotel	29,842	-
Total	212,578	137,264

Chongqing International Commerce Centre

Chongqing International Commerce Centre is expected to be a high-rise office, retail and residential building along Nanbin Road. Chongqing International Commerce Centre is expected to cover a total site area of approximately 139,344 sq.m. (including public facilities) and, when completed, is planned to have a total project GFA of approximately 1,947,900 sq.m. (including parking lots). Chongqing International Commerce Centre is planned to include terraced villas embracing the natural landscape of the nearby river and hills, good quality office buildings, hotel, a shopping mall, and other supporting facilities. Chongqing International Commerce Centre is currently under planning with completion planned in stages between 2019 and 2021. The land use rights certificates covering approximately 109,574 sq.m. site area were granted to us on September 13, 2012. The remaining site area will be used for public facilities for which the land use rights certificate is not required.

The following table sets forth certain information relating to sales, leases and GFA of Chongqing International Commerce Centre as of June 30, 2018:

	Properties under development	
	GFA planned for lease	GFA planned for sale
	(sq.m.)	
Retail	200,000	-
Residential	-	1,053,000
Office	237,000	-
Hotel	60,000	-
Total	497,000	1,053,000

Beijing Concord Option and General Option

On February 8, 2007, CPG entered into an option agreement with Mr. Wong, pursuant to which CPG were granted the Beijing Concord Option, under which CPG may acquire, at its election, a 50% interest in the project company that owns the rights to a proposed property development project on Xidan Street in Beijing. The project is on a site area of over 80,000 sq.m. with a proposed GFA of 347,595 sq.m., including over 130,000 sq.m. of retail space. The Beijing Concord Option is exercisable by CPG at any time before the expiry of 12 months after valid land use rights certificates to develop the whole property subject to the land grant contract have been granted. CPG may exercise this option by acquiring either Mr. Wong's entire interest in Nexthill Investments Limited (歷山投資有限公司), a company incorporated in the British Virgin Islands with limited liability (Nexthill), which is indirectly wholly owned by Mr. Wong, or Nexthill's 50% equity interest in Beijing Cheng Qian Property

Development Company Limited (北京承乾房地產開發有限責任公司), a sino-foreign equity joint venture established in China, of which the remaining 50% equity interest is owned as to 48%, by Beijing Hui Hong Property Development Company Limited (北京薈宏房地產開發有限責任公司) and as to 2% by Beijing Zhaotai Real Estate Development Co., Ltd. (北京兆泰房地產開發有限責任公司), both of which are independent third parties.

On February 8, 2007, CPG entered into an additional option agreement with Mr. Wong, pursuant to which CPG were granted the General Option, under which CPG may acquire certain of Mr. Wong's interests in properties in the PRC, other than those subject to the Beijing Concord Option and certain other excluded property interests.

Property Development

The property development industry in China is extensively regulated. See "Risk Factors - Risks Relating to the Property Market in China."

The following table sets forth the key stages of our property development process:

Land acquisition	**Project planning and preliminary works**	**Design**	**Construction**	**Pre-sales and sales/rentals**	**After sales services**	**Property management services**
• Site selection • Market Analysis • Feasibility study • Negotiations/ confirmation • Approval by senior management	• Market analysis • Product positioning • Arrange financing • Plan designs	• Architectural and construction design • Landscape design • Interior design	• Tender procurement of supplies • Construction supervision • Quality control • Completion inspection	• Pre-sales and sales • Preparation for pre-sales • Sales promotion • Follow up from signing of sales contract • Delivery of property • Rental Marketing • Signing of leases	• Mortgage and registrations assistance • Handling of complaints • Statistical analysis • Management of clients' database	• Maximize rental income • Increase occupancy levels • Increase rental rates for terms • Maintain high quality tenant base

Land Acquisition

Under the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing for Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) issued by the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) ("MLR") on May 9, 2002 and amended on September 28, 2007, land use rights for commercial use, tourism, entertainment and commodity residential properties in China can only be granted by the government through public tender, auction or listing for sale. When land use rights are granted by way of a tender, an evaluation committee consisting of no fewer than five members (including a representative of the grantor and other experts) evaluates and selects from the tenders that have been submitted. When deciding to whom to grant land use rights, the relevant authorities consider not only the tender prices, but also the credit history and qualifications of the tenderers and their tender proposal. Where land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder. These measures would result in a more transparent land grant process, which would enable developers to compete more effectively. Under current regulations, original grantees of land use rights are typically allowed to sell, assign or transfer the land use rights granted to them in secondary markets, provided that: (i) the assignment price has been fully paid in accordance with the assignment contract and a land use rights certificate has been obtained; and (ii) development has been carried out according to the assignment contract and the related rules. If the land use rights are obtained by way of allocation, such land should be submitted to empowered people's government for approval. Upon the approval of a related people's government, such land is to be transferred through public tender, auction or listing-for-sale.

Historically, most of the land use rights owned by us were obtained directly from the PRC government or from independent third parties. In acquiring land use rights, we have generally obtained more favorable prices through private transactions than government public tender process. Accordingly, where possible, we intend to acquire land use rights through private transactions, including through purchasing from non-government third parties or forming joint ventures with large property developers. We may also seek to acquire land use rights through the mandatory government public tender process if market conditions are favorable.

On June 5, 2003, the PBOC published the Notice on Further Strengthening the Administration of Real Estate Loans (中國人民銀行關於進一步加強房地產信貸業務管理的通知). This notice prohibits commercial banks from advancing loans to fund the payments of land premiums. As a result, real estate developers may only use their own funds to pay for land premiums.

Site Selection

We consider the site selection process fundamental to the success of a property development project. Before we commence a property development project, we would typically conduct feasibility studies and consider various criteria, including:

- cost, investment and financial return ratios;
- consumer demand for properties in the locality;
- government development plans for the relevant project and the neighboring area;
- accessibility of the project and available infrastructure support;
- competition from other property developments in the locality; and
- nearby facilities and amenities close to the site (such as parks, greenery, rivers and commercial facilities).

Project Planning and Preliminary Work

Project Positioning

Our sales and marketing department and our design management department are responsible for positioning our projects, based on their analysis of the purchasing power and preferences of our target customers.

Financing

We undertake our project developments through project companies. We finance the project development costs principally through loans from related companies, bank loans and proceeds from pre-sales. Substantially all of the bank loans we have obtained to fund our property development projects are secured by our assets.

Where market and regulatory conditions allow, we conduct pre-sale so as to reduce the level of external borrowings required. Under PRC law, we must comply with certain conditions before we can conduct pre-sale. See "— Pre-sale and Sales/Rentals."

We seek to finance the costs of our future project developments in part through non-recourse bank financings, which would not require a guarantee to be provided by the Company. Other sources of funding include new equity or debt issuances. See "Risk Factors — Risks Relating to Our Business — We may not be able to obtain adequate financing to fund our land acquisitions and property projects."

Design and Construction

Our project management and design team, consisting of 34 employees, of whom 21 are professionally qualified architects, engineers or surveyors, closely monitors each stage of the development process for each project, including overseeing the architectural and interior design of our projects, liaising with external designers and architects, supervising and managing construction costs, schedules and quality.

We seek to design the master plan of each project with a large amount of detail in an effort to ensure that our theme-based design features are incorporated consistently throughout the project.

Creating detailed master plans also reflects our belief that careful planning is essential in controlling cost, quality and timing of our projects. Accordingly, in determining the architectural design of our projects, we work closely with our professional advisors, including architects, planning experts and market consultants, and consider:

- the proposed type of residential or commercial development and the theme to be associated with the development;
- the project area; and
- the surrounding environment or neighborhood of the project.

For each of our projects, we typically retain two architectural firms, normally consisting of an international firm and a PRC firm. Our design management team provides an initial overall design to our international design firms, and works closely with our international and PRC design firms in an effort to ensure that our designs comply with PRC laws and regulations, as well as meeting our design objectives.

In selecting architectural design firms, we consider, among other things, their reputation for reliability and quality, their track record, the price quoted and the design proposed. Design firms are normally selected by invitation. Our design management team monitors the progress and quality of the design firms to ensure they meet our requirements.

We outsource substantially all of our construction work to construction companies, including large state-owned construction companies. Our construction contracts typically provide for a fixed or a guaranteed maximum price payable by us, though we may need to pay additional amounts to the contractors in excess of the fixed cost in certain circumstances, such as changes in designs during construction. The contractors are typically responsible for procuring the necessary raw materials, as well as providing engineering and construction services. We generally hire more than one contractor for each of our projects, with each contractor responsible for a designated portion of the project on a "turnkey" basis. These contractors may employ sub-contractors to assist in providing the services, but the contractors remain responsible to us for any act or omission of these sub-contractors. The construction contractors are selected by our project construction department which considers, among other things, the reputation of the contractors and the price quoted by the contractors. The contractors are normally selected through a tender process for each property development project.

The construction contracts contain warranties from the contractors in respect of quality and timely completion of the construction. In the event of delay or poor quality of work, the contractor may be required to pay pre-agreed damages under the relevant construction contract. We require our contractors to comply with PRC laws and regulations on quality of construction projects, as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. Despite the "turnkey" nature of the construction contracts, we devote considerable resources to oversee the construction work for quality, timing and cost control reasons. In an effort to ensure the quality of the services rendered by the contractors, we pay our contractors in installments and we generally retain approximately 3–5% of the total construction costs for a previously agreed period of time to secure any claim we may have due to construction defects.

Pre-sale and Sales/Rentals

Pre-sale typically commences several months after the beginning of construction depending on market conditions. Our general approach is to pre-sell properties when market and regulatory conditions allow.

Under the Law of the Administration of Urban Real Estate of the PRC (中華人民共和國城市房地產管理法) and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法) as amended in 2001 and 2004 (which are generally applicable in the PRC, including Shanghai and Chongqing), we must comply with the following conditions before we can pre-sell a particular property:

(i) the land premium must have been fully paid and the relevant land use rights certificates must have been obtained;

(ii) the construction work planning permit and the construction work commencement permit must have been obtained;

(iii) the funds contributed to the development of the project where commodity property units are pre- sold must not be less than 25% of the total amount invested in the project and the progress and the expected completion date of the construction work must have been confirmed; and

(iv) registrations for pre-sale shall be made at the real estate administration bureau at or above the county level, and pre-sale permits shall be obtained.

On April 13, 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity properties are not permitted to be pre-sold and the real estate developers are not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

In Shanghai, according to the Measures on the Administration of Real Estate Transfer of Shanghai (上海市房地產轉讓辦法) (as amended) and other relevant rules, such pre-sale permits will only be issued when, among other things, (i) to (ii) above are complied with and, in addition:

- The completion date of the commodity housing has been identified and the construction plans of municipal, communal and public supporting facilities have been implemented;

- The completed construction has met the specified standards and in particular, for commodity housing projects that have obtained construction work commencement permits on or after July 1, 2010, the real estate developer shall submit the quality acceptance certificate for the main structure.

According to the Administration Regulations on Real Estate Transactions in Chongqing (重慶市城鎮房地產交易管理條例), effective January 1, 2012, to obtain a pre-sale permit, a property developer shall have:

- obtained the relevant business license and qualification certificates;

- signed the land use rights grant contract or obtained the approval for the use of land use rights, and have obtained the land use rights certificates;

- obtained the construction work planning permit and the construction work commencement permit;

- sealed the top of the main construction for buildings with eight floors or fewer or the completed at least 50% of the total planned GFA for buildings with nine floors or more;

- entered into capital supervision agreements;

- developed an interim management plan and filed a signed preliminary property management agreement;

- developed a pre-sale program containing details on location, GFA, completion and delivery dates, quality warranty and intended sale price;

- obtained the relevant certificates regarding compensation for housing expropriation;

- obtained the consent of pre-sale from any mortgagees with regard to the land, as applicable;
- where multiple parties jointly develop and apply for the pre-sale of a project together, they shall have jointly obtained the land use rights and signed a cooperative development contract; and
- other conditions stipulated by the relevant laws and regulations.

Pre-sale is based upon contracts entered into between the purchasers and us. The contracts typically provide for the GFA of the property sold, purchase price per square meter, method and manner of payment and date and manner of delivery of the completed property. There are also provisions for examination, acceptance and certification to be carried out by the relevant government authorities before delivery of the completed property. We normally have required from each purchaser a deposit at the time we and the purchaser execute a pre-sale contract. Pursuant to prior PRC regulations, purchasers were previously able to obtain mortgages for up to 80% of the purchase price of the property with a repayment period of up to 30 years. However, the People's Bank of China removed its subsidies on mortgage lending in March 2005 and raised the minimum upfront payment by purchasers of properties from 20% to 30% of the purchase price in certain regions considered to have an overheated property market. Furthermore, with effect from June 1, 2006, the minimum down payment is 30% of the total purchase price for the purchase of a residential unit with GFA exceeding 90 sq.m. on all existing units and those yet to be completed, and a down payment of 20% on residential units for self-use with GFA under 90 sq.m. Since January 2010, the minimum down payment for a second or further residential property through mortgage financing for a family that has already purchased a residential property through mortgage financing shall be no less than 40% of the purchase price, and this rate was further increased to 50% in April 2010 and 60% in January 2011. The PRC government has suspended mortgage financing for the third or above residential-properties purchase since September 2010. In addition, the loan-to-value ratio of the mortgage loan is subject to change according to the economic policies of the central and local governments and banks in China. See "Risk Factors - Risks Relating to the Property Market in China - The terms on which mortgages are available, if at all, may affect our sales."

We make arrangements with various PRC banks to provide mortgage loans to purchasers of our residential properties. Consistent with what we understand to be market practice, we currently provide guarantees to these banks in respect of mortgages offered to our customers by the banks until the completion of the registration of the mortgage with the relevant mortgage registration authorities. In most cases, our guarantees are discharged when we submit the individual property ownership certificates and certificates of other interests in the property to the mortgagee bank. In our experience, the guarantee periods typically last for up to six months after delivery. In such cases, the guarantee periods may last for up to 24 months from the time we enter into the guarantees, taking into account the approximate 18 months needed to complete the construction and the additional six months for the application for and issuance of the individual property ownership certificates.

If a purchaser defaults under the loan while our guarantee is in effect, and we repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank must assign its rights under the loan and the mortgage to us and, after the registration of the mortgage, we will have full recourse to the property. In line with what we believe is industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks.

Sales and Marketing

Our sales force comprises 17 employees, who receive regular training on sales and marketing strategies. Our sales force works closely with our design management department on issues relating to advertising, sales literature and customer feedback on designs. We also engage third party agents to conduct pre-sales and pay commissions calculated by reference to a pre-agreed percentage of successful sales volume. Our sales force works closely with these agents to generate sales. Our sales staff also provides after-sales services to our customers.

We advertise in newspapers and magazines, outdoor advertising boards and participate in real estate exhibitions. We typically set up on-site reception centers to display information relating to the relevant property development.

Delivery of Property

We endeavor to deliver quality products to our customers on a timely basis. We closely monitor the progress of construction of our property developments through, among other steps, regular property inspections. Our pre-sale or sale contracts provide for the time frame for delivery and we are required to make penalty payments to the purchasers for any delay in delivery. Once a property development has passed the requisite government inspections and is ready for delivery, we will notify our customers and hand over keys and possession of the properties.

After-sales Services

We assist customers who purchase our residential properties in arranging for and providing information relating to financing, including information on potential mortgage banks and the mortgage terms they may offer. We also assist our customers in various title registration procedures relating to their properties, attend to the delivery of the properties to the relevant customers and deal with complaints by our customers.

Our sales and marketing department also provides services such as processing of sales and rental enquiries. We believe that such services are effective in enhancing our brand name and in encouraging customers to purchase, or recommend others to purchase, our residential properties.

Property Management Services

Our professional team of 204 employees provides interim property management services to all properties we have developed and sold for an initial period of up to two years from the date of completion, until the owners' committee of the relevant property is established and a new property manager is appointed. Our property management services include maintenance and security of the common areas, gardening and landscaping, cleaning, fire protection and rental agency services. We typically hire professional management companies to manage those properties we retain. The property manager is expected to proactively manage our investment properties to maximize rental income, improve occupancy levels, increase tenancy renewal rates and maintain a high quality tenant base.

Property Leasing

For the marketing of properties we hold for rental, our sales and marketing department works closely with external agents to identify prospective tenants and conduct research to enhance the tenant profile and trade mix, in each case on an on-going basis.

Our retail properties in Shanghai Concord City Phase I are generally leased for terms of 3 to 10 years. Most of the leases provide for a fixed rent, a turnover-based rent or a combination of both. Subject to market conditions, we plan to lease our retail properties in Shanghai Concord City Phase II for terms of 2 to 10 years for fixed rent, turnover-based rent or a combination of both. The retail areas of Shanghai Concord City Phase I are currently under renovation in anticipation of the launch of the Shanghai Concord City Phase II retail units. We plan to lease the retail properties in Chongqing Manhattan City for terms of 3 to 10 years for fixed rent, a turnover-based rent or a combination of both.

Quality Control

We emphasize quality control in an effort to ensure that the quality of our products and services meets or exceeds market standards. Our construction department monitors the work of our contractors to ensure that the building quality standards are observed during the construction phase.

We provide our customers with warranties covering the structure and certain fittings and facilities of our property developments in accordance with the relevant regulations. For any issues relating to the construction work of our project, we require the contractors to remedy such issues before settling the remaining balance due under the construction agreements.

We seek to contract only with experienced design and construction companies. We have internal guidelines to ensure control over documentation, record-keeping, internal audit, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, monitoring and surveillance, information exchange and data analysis.

Competition

We compete with other property developers for the opportunity to participate in property and land development projects and the acquisition of land use rights. The principal factors of competition for such opportunities include the acquisition price and the financial resources of the developers. Because we focus on developing large-scale projects with strategic locations, our competitors include major PRC state-owned, collectively-owned and private developers and international developers, including many leading property developers from Hong Kong and Singapore.

In competing for customers of our residential properties, we believe the principal factors are price, location, quality and design. These factors are affected by market perceptions about the brand name and reputation of the developer, particularly with respect to residential properties. Accordingly, we believe that prompt after-sales service to deal with any construction issues is important in maintaining brand quality and reputation. With regard to retail properties, we compete for lessees primarily on the basis of location, rental price, quality and design, as well as potential customer traffic.

Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by the relevant local government authorities. These include regulations on air pollution, noise emissions, as well as water and waste discharge. Each of our property development projects, other than certain property developments that were approved before the applicable environmental laws were promulgated, is required under PRC law to undergo environmental assessments. In addition, an environmental impact study report is required under PRC law to be submitted to the relevant government authorities before approval is granted for commencement of the property development. We have not experienced any difficulties in obtaining such approvals in the past, although we cannot assure you that we will not experience any difficulties going forward. Upon completion of each property development, the relevant government authorities also inspect the site to ensure that applicable environmental standards have been complied with, and the resulting reports are then presented together with other specified documents to the local construction administration authorities for their records.

Legal Compliance and Proceedings

As at June 30, 2018, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale in an aggregate amount of approximately RMB 23 million (December 31, 2017: RMB 52 million) and the withdrawal of bank deposits of approximately RMB 2 million (December 31, 2017: RMB 6 million) as at June 30, 2018. In the opinion of our director, the claims made by the construction contractors are mainly related to construction works that have not met the required standards, and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or is in the process of making counterclaims for compensation from the contraction contractors for causing delay in delivering the properties to the end customers of the Group. The management of the Group has sought advices from an independent legal advisors or internal legal counsel, as at June 30, 2018, the Group has provided the construction cost liabilities amounting to RMB 57 million (December 31, 2017: RMB 69 million) in relation to the above mentioned construction contracts under dispute.

For those outstanding legal claims that remain in preliminary stage, according to the advices from an independent legal advisors or internal legal counsel, the final outcome that is unable to be determined at this stage amounted to approximately RMB 57 million (December 31, 2017: RMB 42 million) in aggregate. Accordingly, no further provision is required to be made in the Group's consolidated financial statements. Our director is of the opinion that the Group has reasonable ground to defend those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

INDEX TO THE FINANCIAL STATEMENTS

Unaudited Consolidated Financial Statements as of and for the Six Months Ended June 30, 2018

Audited Consolidated Financial Information as of and for the Years Ended December 31, 2017, 2016 and 2015

CHEERGAIN GROUP LIMITED

(incorporated in British Virgin Islands with limited liability)

Report and
Condensed Consolidated Financial Statements
For the six months ended June 30, 2018

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INDEPENDENT PRACTITIONER'S REVIEW REPORT TO THE SOLE MEMBER OF CHEERGAIN GROUP LIMITED

(incorporated in British Virgin Islands with limited liability)

Introduction

We have reviewed the interim consolidated financial statements set out on pages 3 to 29 which comprise the condensed consolidated statement of financial position of Cheergain Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2018 and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Consolidated Financial Statements"). The directors of the Company are responsible for the preparation and presentation of the Interim Consolidated Financial Statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on the Interim Consolidated Financial Statements based on our review. This report is made solely to you 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 2400 (Revised) "Engagements to Review Historical Financial Statements" ("HKSRE 2400 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants. HKSRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements. A review of financial statements in accordance with HKSRE 2400 (Revised) is a limited assurance engagement. A review of historical financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, as appropriate, 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.

INDEPENDENT PRACTITIONER'S REVIEW REPORT
TO THE SOLE MEMBER OF CHEERGAIN GROUP LIMITED

(incorporated in British Virgin Islands with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Consolidated Financial Statements are not prepared, in all material respects, in accordance with HKAS 34.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on October 11, 2018.

The comparatives in the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period ended June 30, 2018, and the related explanatory notes have not been reviewed in accordance with HKSRE 2400 (Revised) or audited.

BDO Limited

BDO Limited
Certified Public Accountants

Jonathan Russell Leong
Practising Certificate Number P03246
Hong Kong
October 11, 2018

CHEERGAIN GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018

		Six months ended June 30,	
	Notes	**2018**	**2017**
		RMB'000	**RMB'000**
		(unaudited)	**(unaudited)**
Revenue	4&5	28,780	103,983
Cost of sales		(14,446)	(28,987)
Gross profit		14,334	74,996
Other income, gain and losses, net	5	2,508	7,317
Net exchange (loss)		(688)	(24)
Selling expenses		(1,833)	(8,952)
Administrative expenses		(17,785)	(17,397)
Finance costs	6	-	-
(Loss) Profit from operation before changes in fair value of investment properties		(3,464)	55,940
Changes in fair value of investment properties		416,496	133,282
Profit before tax		413,032	189,222
Income tax expense	7	(104,615)	(49,020)
Profit and total comprehensive income for the period attributable to the owner of the Company	8	308,417	140,202

CHEERGAIN GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Notes	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		405,339	382,153
Prepaid lease payments		91,361	92,934
Investment properties	11	52,788,742	52,051,301
		53,285,442	52,526,388
Current assets			
Properties under development for sales		5,787,492	5,585,706
Properties held for sales		418,491	427,501
Other receivables, deposits and prepayments	12	174,174	169,060
Pledged bank deposits		24,400	210,441
Bank balances and cash		46,345	290,773
		6,450,902	6,683,481
Current liabilities			
Contract liabilities		745,728	-
Deposits received for sales of properties		-	439,603
Construction costs accruals		136,919	207,660
Other payables and accruals		149,541	147,905
Amount due to the immediate holding company	13	3,136,121	3,104,464
Amount due to an ultimate controlling shareholder	13	2,442,373	2,083,409
Tax payables		702,635	703,070
Borrowings - due within one year	14	3,116,059	1,789,332
		10,429,376	8,475,443
Net current liabilities		(3,978,474)	(1,791,962)
Total assets less current liabilities		49,306,968	50,734,426
Non-current liabilities			
Borrowings - due after one year	14	1,900,000	3,740,000
Deferred tax liabilities		10,945,142	10,841,017
		12,845,142	14,581,017
Net assets		36,461,826	36,153,409
EQUITY			
Capital and reserves			
Share capital	15	-	-
Share premium and reserves		36,461,826	36,153,409
Total equity		36,461,826	36,153,409

Director

Director

CHEERGAIN GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Share capital RMB'000	Revaluation reserve RMB'000	Special reserve RMB'000 (note a)	Other reserve RMB'000 (note b)	General reserve RMB'000 (note c)	Shareholder contribution reserve RMB'000 (note d)	Retained earnings RMB'000	Total RMB'000
At January 1, 2017 (audited)	-	6,259	782,789	2,468,576	51,223	210,541	32,542,787	36,062,175
Profit and total comprehensive income for the period	-	-	-	-	-	-	140,202	140,202
At June 30, 2017 (unaudited)	-	6,259	782,789	2,468,576	51,223	210,541	32,682,989	36,202,377
At January 1, 2018 (audited)	-	6,259	782,789	2,468,576	51,223	210,541	32,634,021	36,153,409
Profit and total comprehensive income for the period	-	-	-	-	-	-	308,417	308,417
At June 30, 2018 (unaudited)	-	6,259	782,789	2,468,576	51,223	210,541	32,942,438	36,461,826

Notes:

(a) Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation ("Corporate Reorganisation") to rationalise the group structure of China Properties Group Limited (as defined in Note 1 to the condensed consolidated financial statements) prior to the listing of its shares on The Stock Exchange of Hong Kong Limited.

(b) Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the ultimate controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporate Reorganisation.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiaries established in the PRC may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

(d) Shareholder contribution reserve represents the deemed contribution arising from the loan from ultimate controlling shareholder, Mr. Wong and China Properties Group Limited (as defined in note 1 to the condensed consolidated financial statements).

CHEERGAIN GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	213,492	144,411
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,662)	(3,038)
Additions to investment properties	(83,524)	(27,010)
Proceeds received from disposal of investment properties	7,026	47,272
Withdrawal of pledged bank deposits	186,041	175,440
Interest received	453	2,789
NET CASH FROM INVESTING ACTIVITIES	105,334	195,453
FINANCING ACTIVITIES		
New borrowings raised	531,000	6,138
Repayment of borrowings	(1,055,000)	(473,106)
Advance from an ultimate controlling shareholder	358,964	170,162
Interest paid	(390,130)	(355,352)
(Repayment to) Advance from the immediate holding company	(8,088)	25,522
NET CASH USED IN FINANCING ACTIVITIES	(563,254)	(626,636)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(244,428)	(286,772)
CASH AND CASH EQUIVALANTS AT BEGINNING OF THE PERIOD	290,773	474,291
CASH AND CASH EQUIVALANTS AT END OF THE PERIOD represented by bank balances and cash	46,345	187,519

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Cheergain Group Limited ("Cheergain" or the "Company") is a private limited company incorporated in the British Virgin Islands (the "BVI"), its parent holding company is China Properties Group Limited ("China Properties") which is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the BVI. Its ultimate controlling shareholder is Mr. Wong, who is also the director of the Company. The address of the registered office of the Company is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company and its subsidiaries (collectively, the "Group") are principally engaged in property development and property investment in the PRC.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These condensed consolidated financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs"), and should be read in conjunction with the Audited Report on Historical Financial Information of Cheergain Group Limited and its subsidiaries issued by Deloitte Touche Tohmatsu dated October 11, 2018 (the "Audited Report") for the year ended December 31, 2015,2016 and 2017.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as of June 30, 2018, the Group had net current liabilities of RMB3,978,474,000 and the Group has construction costs accruals, other payables and accruals, amount due to the immediate holding company, amount due to an ultimate controlling shareholder and borrowings with carrying amounts of RMB136,919,000, RMB149,541,000, RMB3,136,121,000, RMB2,442,373,000 and RMB3,116,059,000 respectively, which are due to be repaid within one year from the end of the reporting period. Furthermore, the Group had other commitments contracted but not provided for in the condensed consolidated financial statements of approximately RMB1,579,500,000 as set out in note 17.

1. GENERAL INFORMATION AND BASIS OF PREPARATION - continued

The directors of the Company closely monitor the liquidity of the Group having taken into account of:

(1) the confirmation from the ultimate controlling shareholder, Mr. Wong, that he would not demand repayment of the amount due to him until the Group has excess cash to repay;

(2) the confirmation from the immediate holding company, China Properties Group Limited, that it would not demand repayment of debt due from the Group until the Group has excess cash to repay; and

(3) the estimated cash flows of the Group for the next twelve months from the end of the reporting period, in particular

    (i) the consideration of the upcoming plan for sales of its properties held for sales and pre-sale of properties under development for sales; and

    (ii) planning to obtain alternative funding activities including but not limited to note offering and overseas loan under domestic guarantee.

The directors of the Company consider that after taking into account the above measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

These condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagement 2400 (Revised) “Engagement to Review Historical Financial Statements” issued by the HKICPA. BDO Limited’s independent practitioner’s review report to the Sole Member is included on pages 1 and 2.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Audited Report.

2. PRINCIPAL ACCOUNTING POLICIES - continued

The application of the new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements, unless otherwise stated.

The following explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial information and the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior periods. Certain of the Group's accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15.

A. HKFRS 9 Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairments; and (iii) hedge accounting. The adoption of HKFRS 9 from January 1, 2018 has resulted in changes in accounting policies of the Group and the amounts recognized in the condensed consolidated financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (i.e. trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortized cost ("amortized costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

2. PRINCIPAL ACCOUNTING POLICIES - continued

A. HKFRS 9 Financial Instruments - continued

(i) Classification and measurement of financial instruments - continued

A financial asset is measured at amortized cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortized cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI at FVTPL if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognized in profit or loss.
Amortized costs	Financial assets at amortized cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain on derecognition is recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES - continued

A. HKFRS 9 Financial Instruments - continued

(i) Classification and measurement of financial instruments - continued

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at January 1, 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at January 1, 2018 under HKAS 39 RMB'000	Carrying amount as at January 1, 2018 under HKFRS 9 RMB'000
Other receivables, deposits and prepayments	Loans and receivables	Amortized cost	169,060	169,060
Pledged bank deposits	Loans and receivables	Amortized cost	210,441	210,441
Bank balances and cash	Loans and receivables	Amortized cost	290,773	290,773

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognized ECLs for trade receivables, financial assets at amortized costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Other receivables, deposits and prepayments, pledged bank deposits and bank balances and cash are subject to ECLs model but the impairment is immaterial under this model at the date of initial application (i.e. January 1, 2018) and for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (i) twelve months ECLs: these are the ECLs that result from possible default events within the twelve months after the reporting date; and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2. PRINCIPAL ACCOUNTING POLICIES - continued

A. HKFRS 9 Financial Instruments - continued

(ii) Impairment of financial assets - continued

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For financial assets measured as amortized cost, the ECLs are based on the twelve months ECLs. The twelve months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

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

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not carry any significant hedge transaction.

2. PRINCIPAL ACCOUNTING POLICIES - continued

A. HKFRS 9 Financial Instruments - continued

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at December 31, 2017, but are recognized in the condensed consolidated statement of financial position on January 1, 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the “DIA”):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES - continued

B. HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognized the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. January 1, 2018). As a result, the financial information presented for 2017 has not been restated.

The following table summarized the impact of adopting HKFRS 15 on the Group's condensed consolidated statement of financial position as at June 30, 2018:

	RMB'000 Increase/(Decrease)
LIABILIITES	
Current liabilities	
Deposits received for sales of properties	(745,728)
Contract liabilities	745,728
Total current liabilities	-
Total liabilities	-

There was no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period ended June 30, 2018.

2. PRINCIPAL ACCOUNTING POLICIES - continued

B. HKFRS 15 Revenue from Contracts with Customers - continued

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Product or service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on January 1, 2018
Sales of properties	Customers obtain control of the properties when the properties are delivered to and have been accepted. Revenue is thus recognized when the customers accept the properties. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation. Payments are usually received in advance and recognized as a contract liabilities.	<u>Impact</u> As of January 1, 2018, for deposits received for sales of properties, RMB439,603,000 was classified to contract liabilities.
Service income	Customers receive the services, which contain certain performance obligation with the same pattern of transfer, such as security service and clearing service, when those services are provided. Revenue is recognized over time as those services are provided. Invoices are usually payable on presentation.	<u>Impact</u> HKFRS 15 did not result in any significant change or impact on the Group's accounting policies as the recognition method has been the same under HKAS 18 and HKFRS 15.

3. USE OF JUDGEMENT AND ESTIMATES

In preparing this condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's Audited Report, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 2.

4. SEGMENT INFORMATION

(a) The Group determines its operating segments based on the reports reviewed by the directors, who are the chief operating decision-maker that make strategic decisions about the Group's operations and future directions and objectives. The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended June 30, 2018 (unaudited)

	Property development		Property investment			
	Shanghai RMB'000	Chonqing RMB'000	Shanghai RMB'000	Chonqing RMB'000	Others RMB'000	Total RMB'000
Revenue						
External revenue	13,220	9,570	98	687	5,205	28,780
Segment profit (loss)	10,885	2,910	221,719	195,562	(246)	430,830
Other income, gains and losses, net						2,508
Net exchange loss						(688)
Unallocated items						(19,618)
Profit before tax						413,032

For the six months ended June 30, 2017 (unaudited)

	Property development		Property investment			
	Shanghai RMB'000	Chonqing RMB'000	Shanghai RMB'000	Chonqing RMB'000	Others RMB'000	Total RMB'000
Revenue						
External revenue	90,134	8,843	152	442	4,412	103,983
Segment profit	72,736	1,267	80,145	53,732	398	208,278
Other income, gains and losses, net						7,317
Net exchange loss						(24)
Unallocated items						(26,349)
Profit before tax						189,222

4. SEGMENT INFORMATION - continued

(b) In the following table, revenue under HKFRS 15 is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

Disaggregation of revenue

For the six months ended June 30 (unaudited)

	Sales of properties				Property management fee		Total	
	Shanghai		Chongqing					
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Timing of revenue recognition								
At a point in time	13,220	90,134	9,570	8,843	-	-	22,790	98,977
Transferred over time	-	-	-	-	5,205	4,412	5,205	4,412
	13,220	90,134	9,570	8,843	5,205	4,412	27,995	103,389

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 2. Segment result represents the profit earned by (loss incurred from) each segment including the changes in fair value of investment properties without allocation of other income, gains and losses, net, selling expenses, net exchange (loss) gain and administrative expenses including directors' emoluments. This is the measure reported to the Company's directors, for the purposes of resource allocation and performance assessment.

5. REVENUE AND OTHER INCOME, GAIN AND LOSS, NET

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Sales of properties	22,790	98,977
Property rental income	785	594
Property management income	5,205	4,412
	28,780	103,983
Other income, gain and losses, net		
Gain on disposal of investment properties	1,960	4,425
Interest on bank deposits	453	2,789
Others	95	103
	2,508	7,317
Total revenue and other income, gain and losses, net	31,288	111,300

Contract liabilities mainly relate to the deposits received from customers for sales of properties. RMB11,818,000 of the contract liabilities as of January 1, 2018 were recognised as revenue for the six months ended June 30, 2018.

6. FINANCE COSTS

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on other borrowings	292,967	234,898
Interest on bank borrowings	642	2,566
Interest on amount due to the immediate holding company	147,053	154,910
Total finance costs	440,662	392,374
Less: Amount capitalized in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales	(440,662)	(392,374)
	-	-

Borrowing costs capitalized during the period which arose on the specific borrowings are approximately RMB169,904,000 (six months ended June 30, 2017: RMB186,317,000). Borrowing costs capitalized during the period which arose on the general borrowing pool of approximately RMB270,758,000 (six months ended June 30, 2017: RMB206,057,000) are calculated by applying a capitalization rate of 7.35% per annum (six months ended June 30, 2017: 12.8%) to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Current tax		
Enterprise income tax/Land Appreciation Tax ("LAT") in the PRC	491	15,699
Deferred tax		
Current period	104,124	33,321
	104,615	49,020

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC group entities is 25% for both periods.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT 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 land costs, borrowings costs and all property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both periods.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB804,464,000 (December 31, 2017: RMB842,236,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

8. PROFIT FOR THE PERIOD

	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit for the period is arrived at after charging (crediting):		
Directors' emoluments	-	-
Other staff costs		
- Salaries and other benefits	11,554	12,247
- Contribution to retirement benefits schemes	2,780	3,444
Total staff costs	14,334	15,691
Less: Amount capitalized in investment properties under construction and properties under development for sales	(3,501)	(5,968)
	10,833	9,723
Amortization of prepaid lease payments	1,574	1,574
Less: Amount capitalized in construction in progress under property, plant and equipment	(1,552)	(1,552)
	22	22
Depreciation of property, plant and equipment	1,253	1,259
Less: Amount capitalized in construction in progress under property, plant and equipment	(693)	(185)
	560	1,074
Cost of properties sold (included in cost of sales)	8,995	24,974
Gross rental income from investment properties	(785)	(594)
Less: Direct expenses incurred for investment properties that generated rental income during the period	18	19
	(767)	(575)

9. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

10. DIVIDEND

No dividend was paid, declared or proposed during the reporting periods. The directors of the Company do not recommend the payment of any dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: Nil).

11. INVESTMENT PROPERTIES

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
FAIR VALUE		
Completed properties held for rental purpose (Note a)	2,703,733	2,692,011
Investment properties under construction	50,085,009	49,359,290
Total	52,788,742	52,051,301

Note:

(a) As at June 30, 2018, included in the Group's completed properties held for rental purpose, balance are properties in Shanghai, namely, Phase 1 of Shanghai Concord City with carrying amount of approximately RMB2,228,190,000 (December 31, 2017: RMB2,210,480,000); which is currently unoccupied and strategically reserved for lease in the future because the Group plans to restructure the mixture of the tenants. For the Group's marketing strategy, upon the completion of the northern portion of Phase 2 of Shanghai Concord City ("Phase 2 North Portion"), the Group will then recruit their target tenants for both Phase 1 and Phase 2 North Portion of Shanghai Concord City.

The fair values of certain of the Group's investment properties at June 30, 2018 and December 31, 2017 were arrived at on the basis of a valuation carried out on those dates by Colliers International (Hong Kong) Limited ("Colliers") in respect of the properties situated in Shanghai and Chongqing, the PRC. Colliers is an independent qualified professional valuer not connected with the Group, a member of the Institute of Valuers and has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The fair values of investment properties in Shanghai and Chongqing as at June 30, 2018 were determined to be approximately RMB41,606,764,000 (December 31, 2017: RMB41,213,425,000) and RMB11,181,978,000 (December 31, 2017: RMB10,837,876,000) respectively. For completed investment properties, the valuations have been arrived at using the capitalization of net income method of valuation, based on the present value of the income to be derived from the properties. For the completed properties which are currently vacant, the valuation was based on capitalization of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developers profit margin so as to determine the land value of the proposed development as if these were completed as at the date of valuation and taking into account actual cost incurred to date for the properties under construction. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies. These has been no change in the valuation technique used as compared with 2017.

11. INVESTMENT PROPERTIES - continued

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

For investment properties located in Shanghai

For the six months ended June 30, 2018, in determining the fair values of the investment properties located in Shanghai, Colliers has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

i. Gross capitalization rate is ranging from 3% to 6% (December 31, 2017: ranging from 3% to 6%).

ii. Rental rate per month per square metre is ranging from RMB378 to RMB1,841 (December 31, 2017: ranging from RMB374 to RMB1,800).

iii. Occupancy rate for the investment properties is ranging from 40% to 98% (December 31, 2017: ranging from 40% to 98%).

iv. Expected developer profit is ranging from 10% to 20% (December 31, 2017: ranging from 10% to 20%).

v. Discount rate of retail and office portion is ranging from 8% to 9% (December 31, 2017: ranging from 8% to 9%) per annum and 9% (December 31, 2017: 9%) per annum respectively.

vi. Rate of finance cost is ranging from 5% to 6% (December 31, 2017: ranging from 5% to 6%).

vii. Annual growth rate of rental income is ranging from 5% to 6% (December 31, 2017: ranging from 5% to 6%).

For investment properties located in Chongqing

For the six months ended June 30, 2018, in determining the fair values of the investment properties located in Chongqing, Colliers has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

i. Gross capitalization rate is ranging from 7% to 8% (December 31, 2017, ranging from 7% to 8%).

ii. Rental rate per month per square metre is ranging from RMB224 to RMB836 (December 31, 2017: ranging from RMB220 to RMB826).

iii. Occupancy rate for the investment properties is ranging from 60% to 85% (December 31, 2017: ranging from 60% to 85%).

11. INVESTMENT PROPERTIES - continued

For investment properties located in Chongqing - continued

iv. Expected developer profit is ranging from 25% to 30% (December 31, 2017: ranging from 25% to 30%).

v. Discount rate of retail and office portion is 10% (December 31, 2017: 10%) per annum and 5% (December 31, 2017: 5%) respectively.

vi. Rate of finance cost is 5% (December 31, 2017: 5%).

vii. Annual growth rate of rental income is ranging from 5% to 6% (December 31, 2017: ranging from 5% to 6%).

All the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Considerations in respect of completed properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date.

Considerations in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Prepayment of business taxes and other PRC taxes	49,952	35,133
Other receivables, deposits and prepayments	124,222	133,927
	174,174	169,060

13. AMOUNTS DUE TO AN ULTIMATE CONTROLLING SHAREHOLDER AND THE IMMEDIATE HOLDING COMPANY

Amount due to an ultimate controlling shareholder, Mr. Wong, is non-trade in nature, unsecured, interest-free and repayable on demand while request for payment will only be made when the Group has excess cash to repay.

Amount due to the immediate holding company of the Company is non-trade in nature, unsecured and is repayable on demand while request for payment will only be made when the Group has excess cash to repay. The amount is interest bearing, and during the six months ended June 30, 2018, RMB147,053,000 (June 30, 2017: RMB154,910,000) in finance costs were charged by the immediate holding company which represents the actual finance cost incurred by the immediate holding company in respect of advance made to the Company.

14. BORROWINGS

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Bank borrowings, secured	16,000	-
Other borrowings, secured	5,000,059	5,529,332
	5,016,059	5,529,332

Bank borrowings

As at June 30, 2018, entire balance of bank borrowings represent variable-rate bank borrowings. The interest rates of the Group's variable-rate bank borrowings are based on base rate fixed by the People's Bank of China plus a premium.

During the periods, the range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Effective interest rate:		
Variable-rate bank borrowings	6.1%	-

14. BORROWINGS - continued

Other borrowings

As at June 30, 2018 and December 31, 2017, entire balances of other borrowings represent fixed-rate borrowings. Based on scheduled repayment dates set out in the loan agreements, fixed-rate other borrowings of approximately RMB3,100,059,000 (December 31, 2017: RMB1,789,332,000) are shown under current liabilities. At June 30, 2018, the balances of approximately RMB1,900,000,000 (December 31, 2017: RMB3,740,000,000) are repayable more than one year, but not exceeding five years and accordingly, shown under non-current liabilities.

The weighted average rate of the other borrowings is 10.65% (December 31, 2017: 10.18%) per annum.

The bank and other borrowings outstanding as of June 30, 2018 were secured by the following:

- property, plant and equipment with a carrying value of approximately RMB322,352,000 (December 31, 2017: RMB310,691,000);

- prepaid lease payments with a carrying value of approximately RMB1,913,000 (December 31, 2017: RMB2,005,000);

- investment properties with a value of approximately RMB43,778,211,000 (December 31, 2017: RMB43,086,058,000);

- properties under development for sales with a carrying value of approximately RMB1,565,709,000 (December 31, 2017: RMB1,556,106,000);

- properties held for sales with a carrying value of approximately RMB150,754,000 (December 31, 2017: RMB153,464,000); and

- pledged bank deposits of approximately RMB24,400,000 (December 31, 2017: RMB210,441,000).

15. SHARE CAPITAL

	Number of shares	Share capital
		US$
Ordinary shares of United States Dollars ("US$") 1 each		
Authorized:		
At January 1, 2017, June 30, 2017, December 31, 2017, January 1, 2018 and June 30, 2018	50,000	50,000
Issued and fully paid:		
At January 1, 2017, June 30, 2017, December 31, 2017, January 1, 2018 and June 30, 2018	4	4

16. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

Guarantee

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Note)	503,633	492,352

Note: The guarantees were given to banks with respect to mortgage loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts is not significant. Contract liabilities/deposits received on sales of properties prior to the date of revenue recognition are classified as current liabilities in the condensed consolidated statement of financial position.

16. CONTINGENT LIABILITIES - continued

Legal disputes

As at June 30, 2018, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale in an aggregate amount of approximately RMB23 million (December 31, 2017: RMB52 million) and the withdrawal of bank deposits of approximately RMB2 million (December 31, 2017: RMB6 million) as at June 30, 2018. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that did not meet the required standards. Pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or is in the process of making counter-claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The management has sought advices from the independent legal advisors or internal legal counsel on these disputes or legal proceedings. As at June 30, 2018, the Group has provided construction cost liabilities amounting to RMB57 million (December 31, 2017: RMB69 million) in relation to the above mentioned construction contracts under dispute. The net financial effect of both claims and counter-claims is considered insignificant.

For those outstanding legal claims which are still in preliminary stage, according to the advice from the independent legal advisors and internal legal counsel of the Group, the final outcome is unable to be determined at this stage amounted to approximately RMB57 million (December 31, 2017: RMB42 million) in aggregate. Accordingly no further provision is required to be made in the condensed consolidated financial statements. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

17. OTHER COMMITMENTS

	June 30, 2018 RMB'000 (unaudited)	**December 31, 2017 RMB'000 (audited)**
Construction commitment contracted but not provided for	1,579,500	1,530,143

18. OPERATING LEASE COMMITMENTS

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within one year	551	613
In the second to fifth year inclusive	2,538	2,545
After the fifth year	1,788	2,022
	4,877	5,180

Leased properties have committed tenants from ten (December 31, 2017: ten) years.

As lessee

Minimum lease payments paid under operating leases during the period:

	Six months ended June 30,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Premises	2,066	1,755

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within one year	3,796	3,877
In the second to fifth year inclusive	3,873	5,695
	7,669	9,572

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and are fixed for an average of three (December 31, 2017: three) years.

19. RELATED PARTY TRANSACTIONS

Apart from the related party transaction as disclosed elsewhere in the notes to the condensed consolidated financial statements, the Group had the following transactions during the current period:

(i) Other transactions

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Nature of transactions		
Office premises expenses (Note)	13	15

Note: On July 22, 2014, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of Pacific Concord Holding Limited ("PCH") of which ultimate shareholder is Mr. Wong, and the Group. The Tenancy Agreement is effective from August 1, 2014 to July 31, 2017 and a new agreement is entered which is effective from August 1, 2017 to July 31, 2020.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

(ii) Compensation of key management personnel

The directors of the Company considered that the directors are the key management of the Group. During the six months ended June 30, 2018 and 2017, the directors of the Company did not receive any remuneration from the Group.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

CHEERGAIN GROUP LIMITED

Reports and Consolidated Financial Information
For the years ended December 31, 2017, 2016 and 2015

CHEERGAIN GROUP LIMITED

REPORT AND CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

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Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF CHEERGAIN GROUP LIMITED
(incorporated in the British Virgin Islands with limited liability)

Opinion

We have audited the consolidated statements of financial position of Cheergain Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Cheergain Group") as at December 31, 2017, 2016 and 2015, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial information, including a summary of significant accounting policies (together "the Consolidated Financial Information").

In our opinion, the Consolidated Financial Information is prepared, in all material respects, in accordance with the accounting polices set out in note 3 to the Consolidated Financial Information.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to notes 2 and 3 to the Consolidated Financial Information, which describes the basis of accounting. The Consolidated Financial Information is prepared solely for the inclusion in the information memorandum in connection with the proposed offering of US$226,000,000 of 15% senior notes due 2021. As a result, the Consolidated Financial Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF CHEERGAIN GROUP LIMITED - continued
(incorporated in the British Virgin Islands with limited liability)

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Information

The directors of the Company are responsible for the preparation of the Consolidated Financial Information in accordance with the accounting polices set out in note 3 to the Consolidated Financial Information; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Consolidated Financial Information in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of the Consolidated Financial Information that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Cheergain Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Information

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Consolidated Financial Information.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF CHEERGAIN GROUP LIMITED - continued
(incorporated in the British Virgin Islands with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Information
- continued

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
October 11, 2018

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	NOTES	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	5	215,414	206,217	71,704
Cost of sales		(54,493)	(77,605)	(32,551)
Gross profit		160,921	128,612	39,153
Other income, gains and losses, net	5	10,856	33,745	5,872
Net exchange gain		6,095	7,696	325
Selling expenses		(18,594)	(21,914)	(4,620)
Administrative expenses		(48,322)	(62,986)	(45,431)
Finance costs	6	(179,156)	-	-
(Loss) profit from operation before changes in fair value of investment properties		(68,200)	85,153	(4,701)
Changes in fair value of investment properties		256,980	1,114,147	1,740,121
Profit before tax		188,780	1,199,300	1,735,420
Income tax expense	7	(97,546)	(307,499)	(434,230)
Profit and total comprehensive income for the year attributable to owners of the Company	8	91,234	891,801	1,301,190

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2017, 2016 AND 2015

	NOTES	2017 RMB'000	2016 RMB'000	2015 RMB'000
Non-current assets				
Property, plant and equipment	11	382,153	349,981	311,604
Prepaid lease payments	12	92,934	95,892	98,604
Investment properties	13	52,051,301	51,458,045	49,758,309
		52,526,388	51,903,918	50,168,517
Current assets				
Properties under development for sales	14	5,585,706	5,155,483	4,877,607
Properties held for sales	15	427,501	467,793	349,153
Trade and other receivables, deposits and prepayments	16	169,060	198,309	131,513
Pledged bank deposits	17	210,441	278,517	130,530
Bank balances and cash	17	290,773	474,291	182,910
		6,683,481	6,574,393	5,671,713
Current liabilities				
Deposits received for sales of properties	18	439,603	402,739	70,644
Construction costs accruals		207,660	207,928	214,390
Other payables and accruals		147,905	116,076	59,949
Amount due to ultimate controlling shareholder	19	2,083,409	1,912,761	1,678,617
Tax payable		703,070	680,241	660,171
Borrowings - due within one year	20	1,789,332	1,395,171	1,501,939
Amount due to immediate holding company	19	3,104,464	3,064,448	3,027,025
		8,475,443	7,779,364	7,212,735
Net current liabilities		(1,791,962)	(1,204,971)	(1,541,022)
Total assets less current liabilities		50,734,426	50,698,947	48,627,495
Non-current liabilities				
Borrowings - due after one year	20	3,740,000	3,860,000	2,950,000
Deferred tax liabilities	21	10,841,017	10,776,772	10,507,121
		14,581,017	14,636,772	13,457,121
Net assets		36,153,409	36,062,175	35,170,374
Capital and reserves				
Share capital	22	-	-	-
Share premium and reserves		36,153,409	36,062,175	35,170,374
Total equity		36,153,409	36,062,175	35,170,374

The consolidated financial information on page 4 to page 69 were approved and authorised for issue by the board of directors on October 11, 2018.

Wong Sai Chung
DIRECTOR

Yu Ling Ling
DIRECTOR

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Attributable to owners of Cheergain							
	Share capital RMB'000	Revaluation reserve RMB'000	Special reserve RMB'000 (Note a)	Other reserve RMB'000 (Note b)	General reserve RMB'000 (Note c)	Shareholder contribution reserve RMB'000 (Note d)	Retained earnings RMB'000	Total RMB'000
At January 1, 2015	-	6,259	782,789	2,468,576	51,223	210,541	30,349,796	33,869,184
Profit and total comprehensive income for the year	-	-	-	-	-	-	1,301,190	1,301,190
At December 31, 2015	-	6,259	782,789	2,468,576	51,223	210,541	31,650,986	35,170,374
Profit and total comprehensive income for the year	-	-	-	-	-	-	891,801	891,801
At December 31, 2016	-	6,259	782,789	2,468,576	51,223	210,541	32,542,787	36,062,175
Profit and total comprehensive income for the year	-	-	-	-	-	-	91,234	91,234
At December 31, 2017	-	6,259	782,789	2,468,576	51,223	210,541	32,634,021	36,153,409

Notes:

(a) Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation ("Corporate Reorganisation") to rationalise the group structure of China Properties Group Limited (as defined in Note 1 to the Consolidated Financial Information) prior to the listing of its shares on The Stock Exchange of Hong Kong Limited.

(b) Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the ultimate controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporate Reorganisation.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiaries established in the PRC may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

(d) Shareholder contribution reserve represents the deemed contribution arising from the loan from ultimate controlling shareholder, Mr. Wong and China Properties Group Limited (as defined in note 1 to the Consolidated Financial Information).

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	2017 RMB'000	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES			
Profit before tax	188,780	1,199,300	1,735,420
Adjustments for:			
Amortisation of prepaid lease payments	44	44	44
Depreciation of property, plant and equipment	1,356	1,583	1,656
Changes in fair value of investment properties	(256,980)	(1,114,147)	(1,740,121)
Finance costs	179,156	-	-
Interest income	(4,109)	(4,144)	(7,501)
(Gain) loss on disposal of investment properties	(6,207)	(28,772)	2,026
(Gain) loss on disposal of property, plant and equipment	(268)	22	-
Unrealised exchange (gain) loss, net	(5,626)	7,785	2,008
Operating cash flows before movements in working capital	96,146	61,671	(6,468)
Increase in properties under development for sales	(45,396)	(185,191)	(215,559)
Decrease in properties held for sales	42,647	41,860	17,529
Decrease (increase) in trade and other receivables, deposits and prepayments	29,249	(54,722)	(12,225)
Increase in deposits received for sales of properties	36,864	332,095	31,255
Decrease in construction costs accruals	(268)	(6,462)	(45,318)
Increase (decrease) in other payables and accruals	31,829	56,127	(23,232)
Cash from (used in) operations	191,071	245,378	(254,018)
PRC taxes paid	(10,472)	(29,852)	(6,618)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	180,599	215,526	(260,636)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(3,988)	(2,910)	(6,458)
Additions to investment properties	(69,374)	(67,315)	(125,899)
Proceeds received from disposal of investment properties	44,014	36,712	8,593
Withdrawal of pledged bank deposits	272,067	30,530	282,089
Placement of pledged bank deposits	(203,991)	(178,517)	(310,146)
Interest received	4,109	4,144	7,501
NET CASH FROM (USED IN) INVESTING ACTIVITIES	42,837	(177,356)	(144,320)

	2017 RMB'000	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES			
New borrowings raised	2,592,019	3,019,488	3,541,928
Repayments of borrowings	(2,311,600)	(2,255,076)	(3,412,175)
Advance from ultimate controlling shareholder	170,648	234,144	566,608
Interest paid	(841,154)	(733,997)	(629,251)
(Repayment to) advance from immediate holding company	(16,867)	(11,348)	17,935
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(406,954)	253,211	85,045
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(183,518)	291,381	(319,911)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	474,291	182,910	502,821
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	290,773	474,291	182,910

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

1. GENERAL

Cheergain Group Limited ("Cheergain") is a private limited company incorporated in the British Virgin Islands (the "BVI"), its parent holding company is China Properties Group Limited ("China Properties") which is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the BVI. Its ultimate controlling shareholder is Mr. Wong, who is also the director of Cheergain. The address of the registered office of Cheergain is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortorla, the BVI and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

Cheergain acts as an investment holding company. The subsidiaries of Cheergain are principally engaged in property development and property investment in the PRC. The principal activities of its principal subsidiaries are set out in note 31.

The consolidated financial information for the years ended December 31, 2017, 2016 and 2015 ("Consolidated Financial Information") are presented in Renminbi ("RMB"), which is also the functional currency of Cheergain.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL INFORMATION

The Consolidated Financial Information is prepared on a going concern basis because the immediate holding company has agreed to provide adequate funds for at least twelve months from the end of the reporting period to enable Cheergain and its subsidiaries (collectively referred to as the "Cheergain Group") to meet in full its financial obligations as they fall due for the foreseeable future.

The Consolidated Financial Information is prepared in accordance with the accounting policies set out in note 3 to the Consolidated Financial Information. The Consolidated Financial Information is prepared solely for the purpose of inclusion in the information memorandum of the Company in connection with the proposed offering of US$226,000,000 of 15% senior notes due 2021.

No statutory financial statements of Cheergain for the years ended December 31, 2017, 2016 and 2015 ("Relevant Periods") were prepared, as Cheergain is incorporated in a jurisdiction where there is no statutory audit requirement.

3. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Information has been prepared in accordance with the following accounting policies.

The Consolidated Financial Information has been prepared on the historical cost basis, except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Cheergain Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Consolidated Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Consolidated Financial Information incorporates the financial statements of Cheergain and entities controlled by Cheergain and its subsidiaries. Control is achieved when Cheergain:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

The Cheergain Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Cheergain Group obtains control over the subsidiary and ceases when the Cheergain Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Cheergain Group gains control until the date when the Cheergain Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Cheergain Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Cheergain Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value at consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Cheergain Group and when specific criteria have been met for each of the Cheergain Group's activities, as described below.

Revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business is recognised when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Cheergain Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when the construction of relevant properties has been completed, and the title of properties has been transferred or the properties have been delivered to the purchasers pursuant to the sales agreement whichever is earlier and the collectability of related receivables is reasonably assumed. Deposits and instalments received from purchasers for pre-sale of properties prior to meeting the above criteria on revenue recognition are included in the consolidated statements of financial position under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Cheergain Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasehold land and building

When the Cheergain Group makes payments for a property interest which includes both leasehold land and building elements, the Cheergain Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Cheergain Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Cheergain Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment properties - continued

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Properties under development for sales

Properties under development for sales are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property. Net realisable value takes into account the price ultimately expected to be realised, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Cheergain Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sales.

Properties held for sales

Properties held for sales are stated at the lower of cost and net realisable value. Cost includes the cost of land, development costs attributable to the properties held for sale, other costs that have been incurred in bringing the properties to their existing condition such as finance costs are capitalised.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Cheergain Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, and bank balances) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. They are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For loans and receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

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

Financial liabilities and equity instruments

Debt and equity instruments issued by the Cheergain Group are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Cheergain Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including construction costs accruals, other payables and accruals, amounts due to ultimate controlling shareholder and immediate holding company, borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derecognition

The Cheergain Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Cheergain Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Cheergain Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Cheergain Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Cheergain Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Cheergain Group derecognises financial liabilities when, and only when, the Cheergain Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, the Cheergain Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Cheergain Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

Cheergain Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Cheergain Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Cheergain Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Cheergain Group expects, at the end of each of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Cheergain Group's accounting policies, which are described in note 3, the directors of Cheergain is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment that the directors of Cheergain has made in the process of applying the Cheergain Group's accounting policies and that have the most significant effect on the amounts recognised in the Consolidated Financial Information.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Critical judgment in applying accounting policies - continued

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of Cheergain has reviewed the Cheergain Group's investment property portfolios and concluded that the Cheergain Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Cheergain Group's deferred taxation on investment properties, the directors of Cheergain has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Cheergain Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimate of fair value of investment properties under construction

As described in note 13, investment properties under construction are mainly measured at fair value at the end of each of the reporting period using a residual method by independent professional valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In relying on the valuation report, the directors of Cheergain has exercised the judgment and is satisfied that the assumptions used in the valuation reflect market conditions. Where there are any changes in the assumptions due to the market conditions in the PRC, the estimate of fair value of investment properties under construction may be significantly affected. As at December 31, 2017, 2016 and 2015, investment properties under construction of approximately RMB49,359,290,000, RMB48,768,565,000 and RMB47,175,459,000, respectively, are revalued using a residual method.

Estimate of net realisable value of properties under development for sales and properties held for sales

As at December 31, 2017, 2016 and 2015, properties under development for sales of approximately RMB5,585,706,000, RMB5,155,483,000 and RMB4,877,607,000 respectively, and properties held for sales of approximately RMB427,501,000, RMB467,793,000 and RMB349,153,000 respectively, are stated at lower of cost and net realisable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is determined by estimating the selling price less selling expenses and costs of completion (if any), which are estimated based on best available information. Where there are any decrease in the estimated selling price arising from any change to the market conditions in the PRC, there may be impairment losses recognised on the properties under development for sales and properties held for sales.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Land appreciation taxes

PRC land appreciation tax ("LAT") 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 land costs, borrowing costs and all property development expenditure.

The Cheergain Group is subject to LAT in the PRC which has been included in income tax expense of the Cheergain Group. Significant judgment is required in determining the amount of land appreciation and the related taxes. The Cheergain Group recognises these liabilities based on the management's best estimates. Where the final outcome of this matter is different from the amounts that were initially recorded, such differences will impact the income tax expense in the period in which such determination is made. As at December 31, 2017, 2016 and 2015, the Cheergain Group has LAT payable of approximately RMB556,457,000, RMB562,929,000 and RMB567,159,000 respectively, included in tax payable.

Provision for legal disputes and contingent liabilities under construction contracts

As at December 31, 2017, 2016 and 2015, the Cheergain Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. Determining whether provision for construction costs in dispute is necessary requires an estimation of probability that an outflow of resources embodying economic benefits to be required for settling the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of each of the reporting period. Based on advice from the independent legal advisors or internal legal counsel, those outstanding legal claims that are still in a preliminary stage and the final outcome of which it is not possible to determine as at December 31, 2017, 2016 and 2015 amounted to approximately RMB42 million, RMB55 million and RMB29 million respectively. In the opinion of the directors of Cheergain, the Cheergain Group has possible obligation in relation to these legal disputes; however, a sufficiently reliable estimate of the amount of the obligation cannot be made at the end of each of the reporting period. Disclosure of such contingent liabilities has been made in note 24. As a result, as at December 31, 2017, 2016 and 2015, an amount of RMB42 million, RMB55 million and RMB29 million respectively, has been disclosed as contingent liabilities and such amount has not been included in construction cost accruals nor provision made in the Consolidated Financial Information.

5. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue			
Sales of properties	205,168	197,957	65,537
Property rental income	2,523	883	922
Property management income	7,723	7,377	5,245
	215,414	206,217	71,704
Other income, gains and losses, net			
Gain (loss) on disposal of investment properties	6,207	28,772	(2,026)
Interest on bank deposits	4,109	4,144	7,501
Gain (loss) on disposal of property, plant and equipment	268	(22)	-
Others	272	851	397
	10,856	33,745	5,872
Total revenue and other income, gains and losses, net	226,270	239,962	77,576

6. FINANCE COSTS

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Interest on other borrowings	588,144	226,581	180,948
Interest on bank borrowings	2,728	308,590	262,288
Interest on amount due to immediate holding company	306,537	296,467	274,506
Total finance costs	897,409	831,638	717,742
Less: Amount capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales	(718,253)	(831,638)	(717,742)
	179,156	-	-

Borrowing costs capitalised during the years ended December 31, 2017, 2016 and 2015 arisen on the specific borrowings are approximately RMB258,354,000, RMB429,615,000 and RMB300,708,000 respectively. Borrowing costs capitalised during the years ended December 31, 2017, 2016 and 2015 arisen on the general borrowing pool are approximately RMB459,899,000, RMB402,023,000 and RMB417,034,000 and are calculated by applying a capitalisation rate of 12.51%, 12.83% and 13.13% per annum respectively, to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Current tax in the PRC	33,301	37,848	400
Deferred tax (note 21):			
Current year	64,245	269,651	433,830
	97,546	307,499	434,230

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC group entities is 25% for the Relevant Periods.

Under the Provisional Regulations on Land Appreciation Tax ("LAT") implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT 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 land costs, borrowings costs and all property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods. No provision for Hong Kong Profits Tax has been made as the Cheergain Group's income neither arises in, nor is derived from, Hong Kong.

Income tax expense for the year can be reconciled from the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Profit before tax	188,780	1,199,300	1,735,420
Tax at PRC enterprise income tax rate of 25%	47,195	299,825	433,855
Tax effect of expenses not deductible for tax purpose	51,426	9,705	2,250
Tax effect of income not taxable for tax purpose	(1,075)	(2,031)	(1,875)
Income tax expense for the year	97,546	307,499	434,230

8. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Profit for the year has been arrived at after charging (crediting):			
Directors' emoluments (note 9)	-	-	-
Other staff costs			
- salaries and other benefits	20,971	23,435	26,560
- contributions to retirement benefits schemes	5,294	5,869	5,659
Total staff costs	26,265	29,304	32,219
Less: Amount capitalised in investment properties under construction and properties under development for sales	(5,877)	(10,656)	(11,010)
	20,388	18,648	21,209
Auditor's remuneration	-	-	-
Amortisation of prepaid lease payments	3,149	3,149	3,149
Less: Amount capitalised in construction in progress under property, plant and equipment	(3,105)	(3,105)	(3,105)
	44	44	44
Depreciation of property, plant and equipment (note 11)	2,567	3,055	3,136
Less: Amount capitalised in properties under development for sales	(1,211)	(1,472)	(1,480)
	1,356	1,583	1,656
Cost of properties sold (included in cost of sales)	44,456	66,228	22,248
Gross rental income from investment properties	2,523	883	922
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	(93)	(30)	(28)
	2,430	853	894

Auditor's remuneration for Relevant Periods was borne by the immediate holding company.

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

No emoluments have been paid to, or are payable to, the directors and chief executive of Cheergain, Mr. Wong, during the Relevant Periods.

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Cheergain Group did not include any director and chief executive of Cheergain for the Relevant Periods, details of whose emoluments are set out above. The emoluments of the five highest paid individuals were as follows:

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Salaries and allowances	995	704	704
Retirement benefits scheme contributions	211	149	151
	1,206	853	855

10. DIVIDEND

No dividend was paid or declared during the Relevant Periods, nor has any dividend been proposed since the end of the Relevant Periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2015	53,577	19,873	41	10,495	9,653	219,693	313,332
Additions	-	-	-	-	116	42,682	42,798
At December 31, 2015	53,577	19,873	41	10,495	9,769	262,375	356,130
Additions	-	-	-	424	-	41,033	41,457
Disposals	-	-	-	(78)	-	-	(78)
At December 31, 2016	53,577	19,873	41	10,841	9,769	303,408	397,509
Additions	-	-	-	380	268	34,306	34,954
Disposals	-	-	-	-	(734)	-	(734)
At December 31, 2017	53,577	19,873	41	11,221	9,303	337,714	431,729
DEPRECIATION							
At January 1, 2015	16,073	8,781	41	8,597	7,898	-	41,390
Provided for the year (Note 8)	1,339	918	-	365	514	-	3,136
At December 31, 2015	17,412	9,699	41	8,962	8,412	-	44,526
Provided for the year (Note 8)	1,339	918	-	194	604	-	3,055
Eliminated on disposals	-	-	-	(53)	-	-	(53)
At December 31, 2016	18,751	10,617	41	9,103	9,016	-	47,528
Provided for the year (Note 8)	1,339	920	-	155	153	-	2,567
Eliminated on disposals	-	-	-	-	(519)	-	(519)
At December 31, 2017	20,090	11,537	41	9,258	8,650	-	49,576
CARRYING VALUES							
At December 31, 2015	36,165	10,174	-	1,533	1,357	262,375	311,604
At December 31, 2016	34,826	9,256	-	1,738	753	303,408	349,981
At December 31, 2017	33,487	8,336	-	1,963	653	337,714	382,153

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	Shorter of lease terms and 4.5%
Leasehold improvements	Shorter of the remaining term of the land lease on which the buildings are located and 4.5%
Office equipment, furniture and fixtures	18% - 19%
Motor vehicles	18% - 19%

Certain of the Cheergain Group's leasehold land, buildings and construction in progress with a carrying value of approximately RMB33,487,000, RMB3,326,000 and RMB273,878,000 as at December 31, 2017, RMB34,826,000, RMB3,860,000 and RMB242,184,000 as at December 31, 2016 and RMB36,165,000, RMB4,395,000 and RMB190,599,000 as at December 31, 2015, respectively, were pledged to secure certain borrowing facilities granted to the Cheergain Group.

12. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents land use rights in the PRC. As at December 31, 2017, 2016 and 2015, certain of the Cheergain Group's prepaid lease payments with a carrying amount of approximately RMB2,005,000, RMB2,035,000 and RMB2,127,000, respectively, were pledged to secure certain borrowing facilities granted to the Cheergain Group.

13. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000	2015 RMB'000
FAIR VALUE			
Completed properties held for rental purpose (Note):			
At the beginning of the year	2,689,480	2,582,850	2,531,740
Disposals	(37,324)	(55,720)	(9,712)
Net changes in fair value recognised in profit or loss	39,855	162,350	60,822
At the end of the year	2,692,011	2,689,480	2,582,850
Investment properties under construction:			
At the beginning of the year	48,768,565	47,175,459	44,901,657
Additions	373,600	641,309	594,503
Net changes in fair value recognised in profit or loss	217,125	951,797	1,679,299
At the end of the year	49,359,290	48,768,565	47,175,459
Total	52,051,301	51,458,045	49,758,309
Unrealised gain on properties revaluation included in profit or loss for the financial year	256,980	1,114,147	1,740,121

Note: As at December 31, 2017, 2016 and 2015, included in the Cheergain Group's completed properties held for rental purpose, balance are properties in Shanghai, namely, Phase 1 of Shanghai Concord City with carrying amount of approximately RMB2,210,480,000, RMB2,170,250,000 and RMB2,110,070,000 respectively, of which 100% is currently unoccupied and strategically reserved for lease in the future because the Cheergain Group plans to restructure the mixture of the tenants. As part of the Cheergain Group's marketing strategy, upon the completion of the northern portion of Phase 2 of Shanghai Concord City ("Phase 2 North Portion"), the Cheergain Group will then recruit their target tenants for both Phase 1 and Phase 2 North Portion of Shanghai Concord City.

13. INVESTMENT PROPERTIES - continued

The investment properties are under Level 3 fair value measurements. At the end of each reporting period, the senior management works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Discussion of valuation process and results are held between senior management and the directors of Cheergain at least twice a year.

The fair values of the Cheergain Group's investment properties at December 31, 2017, 2016 and 2015 were arrived at on the basis of a valuation carried out on those dates by Colliers International (Hong Kong) Limited ("Colliers") in respect of the properties situated in Shanghai and Chongqing, the PRC. Colliers is a firm of independent qualified professional valuers not connected with the Cheergain Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The address of Colliers is Suite 5701 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

As at December 31, 2017, 2016 and 2015, the fair values of investment properties determined by Colliers of which located in Shanghai are approximately RMB41,213,425,000, RMB41,021,926,000 and RMB39,610,802,000, respectively, and located in Chongqing are approximately RMB10,837,876,000, RMB10,436,119,000 and RMB10,147,507,000 respectively. For completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developed profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies. There has been no change in the valuation technique used as compared with in the Relevant Periods.

The overall development areas on two pieces of land plot located in Chongqing has been proceeded to the government's final approval to develop Chongqing International Commerce Centre ("CQICC") with gross floor area of 2,050,000 square meter and the application is under processing as at December 31, 2017. At December 31, 2017, 2016 and 2015, the fair value of these two pieces determined by Colliers of land in Chongqing amounted to approximately RMB4,536,231,000, RMB4,338,293,000 and RMB4,202,472,000, respectively.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

13. INVESTMENT PROPERTIES - continued

There is no transfer among different levels of the fair value hierarchy for the years ended December 31, 2017, 2016 and 2015. Details of the Cheergain Group's investment properties and information about the valuations under Level 3 of the fair value hierarchy as at December 31, 2017, 2016 and 2015 are as follows:

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Investment Properties			
Retail	47,657,073	47,211,497	45,784,321
Office	4,394,228	4,246,548	3,973,988
Total	52,051,301	51,458,045	49,758,309

Information about fair value measurements using significant unobservable inputs

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties - fair values determined by Colliers					
Shanghai Cannes and Phase 1 of Shanghai Concord City					
Retail	2,692,011	Income capitalisation approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai Cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB374 per square meter per month (for Shanghai Cannes) RMB1,478 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50% - 80% (for Shanghai Cannes) 40% - 80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv) Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v) Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

(2) Investment properties under construction - fair values determined by Colliers

Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
Retail	36,390,474	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3 - 4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB579 per square meter per month (for Minhang) RMB1,628 - RMB1,800 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	80% - 98%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	10% - 20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,955 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	8% - 9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5% - 6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5% - 6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Shanghai Phase 2 of Shanghai Concord City					
Office	2,130,940	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB395 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	85% - 95%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB8,000 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing Manhattan City					
Retail	1,520,140	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB220 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65% - 85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	25% - 30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB3,536 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing Concord City					
Retail	3,220,283	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB826 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65% - 85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB7,439 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing Concord City - continued					
Office	1,561,222	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB29,162 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing International Commerce Centre					
Retail	3,834,165	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB461 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	60% - 85%	The higher the expected occupancy rates, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi) Construction cost	RMB5,614 per square meter	The higher the cost, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing International Commerce Centre - continued					
Office	702,066	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB22,303 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
	49,359,290				

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties - fair values determined by Colliers					
Shanghai Cannes and Phase 1 of Shanghai Concord City					
Retail	2,689,480	Income capitalisation approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai Cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB359 per square meter per month (for Shanghai Cannes) RMB1,403 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50% - 80% (for Shanghai Cannes) 40% - 80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv) Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v) Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers					
Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")					
Retail	36,201,206	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3 - 4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB562 per square meter per month (for Minhang) RMB1,539 - RMB1,740 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	80% - 98%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	10% - 20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,955 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	8% - 9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5% - 6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5% - 6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Shanghai Phase 2 of Shanghai Concord City					
Office	2,131,240	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB383 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	85% - 95%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB8,000 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing Manhattan City					
Retail	1,487,572	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB216 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65% - 85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	25% - 30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB3,536 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing Concord City					
Retail	3,130,072	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB820 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65% - 85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB7,439 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing Concord City - continued					
Office	1,480,182	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB28,489 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing International Commerce Centre					
Retail	3,703,167	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB450 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	60% - 85%	The higher the expected occupancy rates, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi) Construction cost	RMB5,614 per square meter	The higher the cost, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2016 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - fair values determined by Colliers - continued					
Chongqing International Commerce Centre - continued					
Office	635,126	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB21,633 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
	48,768,565				

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2015 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties - fair values determined by Colliers					
Shanghai Cannes and Phase 1 of Shanghai Concord City					
Retail	2,582,850	Income capitalisation approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai Cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB343 per square meter per month (for Shanghai Cannes) RMB1,327 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50% - 80% (for Shanghai Cannes) 40% - 80 % (for Phase 1of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv) Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v) Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2015 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction					
Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")					
Retail	35,062,499	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3 - 4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB534 per square meter per month (for Minhang) RMB1,448 - RMB1,680 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	80% - 98%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	10% - 20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,955 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	8% - 9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5% - 6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5% - 6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2015 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - continued					
Shanghai Phase 2 of Shanghai Concord City					
Office	1,965,453	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB358 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	85% - 95%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB8,000 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2015 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - continued					
Chongqing Manhattan City					
Retail	1,457,984	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB211 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected Occupancy rate	65% - 85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	25% - 30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB3,536 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2015 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - continued					
Chongqing Concord City					
Retail	3,085,061	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB812 per square meter per	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65% - 85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB7,439 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2015 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - continued					
Chongqing Concord City - continued					
Office	1,401,991	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB28,077 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2015 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - continued					
Chongqing International Commerce Centre					
Retail	3,595,927	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB439 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	60% - 85%	The higher the expected occupancy rates, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi) Construction cost	RMB5,614 per square meter	The higher the cost, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

13. INVESTMENT PROPERTIES - continued

Information about fair value measurements using significant unobservable inputs - continued

Description	Fair value as at December 31, 2015 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction - continued					
Chongqing International Commerce Centre - continued					
Office	606,544	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB21,581 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost to complete	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
	47,175,459				

As at December 31, 2017, 2016 and 2015, certain of the Cheergain Group's investment properties with a carrying value of approximately RMB43,086,058,000, RMB42,576,579,000 and RMB41,289,734,000, respectively, were pledged to secure certain borrowing facilities granted to the Cheergain Group.

All the Cheergain Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

14. PROPERTIES UNDER DEVELOPMENT FOR SALES

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Cost			
At the beginning of the year	5,155,483	4,877,607	4,438,966
Additions	432,943	438,376	438,641
Transfer to properties held for sale	(2,720)	(160,500)	-
At the end of the year	5,585,706	5,155,483	4,877,607
Properties under development for sales of which:			
- expected to be completed within twelve months	622,774	721,634	733,865
- expected to be completed after twelve months after the end of the reporting period	4,962,932	4,433,849	4,143,742
	5,585,706	5,155,483	4,877,607

As at December 31, 2017, 2016 and 2015, certain of the Cheergain Group's properties under development for sales with a carrying value of approximately RMB1,556,106,000, RMB1,501,790,000 and RMB1,512,119,000, respectively, were pledged to secure certain borrowing facilities granted to the Cheergain Group.

15. PROPERTIES HELD FOR SALES

As at December 31, 2017, 2016 and 2015, certain of the Cheergain Group's properties held for sales with a carrying value of approximately RMB153,464,000, RMB188,152,000 and RMB223,012,000, respectively, were pledged to secure certain borrowing facilities granted to the Cheergain Group.

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Considerations in respect of completed properties sold are received from customers in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date.

Considerations in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Trade receivables	-	-	2,454
Prepayment of business taxes and other PRC taxes	35,133	29,669	17,591
Other receivables, deposits and prepayments	133,927	168,640	111,468
	169,060	198,309	131,513

17. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At December 31, 2017, 2016 and 2015, pledged bank deposits of approximately RMB210,441,000, RMB278,517,000 and RMB130,530,000, respectively, were pledged for short term borrowings due within one year and thus the amount was classified as current.

For the years ended December 31, 2017, 2016 and 2015, the pledged bank deposits carry effective interest rates which range from 0.01% to 2.10%, 0.01% to 2.10% and 0.01% to 2.10% per annum, respectively. The pledged bank deposits will be released upon the settlement of the relevant borrowings. For the years ended December 31, 2017, 2016 and 2015, bank balances carry interest at market rates which range from 0.01% to 1.10%, 0.01% to 1.10% and 0.01% to 1.10% per annum, respectively.

At December 31, 2017, 2016 and 2015, pledged bank deposits and bank balances and cash with banks in the PRC amounted to approximately RMB471,613,000, RMB579,662,000 and RMB159,634,000, respectively. Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

18. DEPOSITS RECEIVED FOR SALES OF PROPERTIES

	2017	2016	2015
	RMB'000	RMB'000	RMB'000
Deposits received for sales of properties			
- expected to be realised within twelve months	439,603	402,739	70,644

19. AMOUNTS DUE TO ULTIMATE CONTROLLING SHAREHOLDER AND IMMEDIATE HOLDING COMPANY

Amount due to ultimate controlling shareholder, Mr. Wong, is non-trade in nature, unsecured, interest-free and repayable on demand while request for payment will only be made when the Cheergain Group has excess cash to repay.

Amount due to immediate holding company of Cheergain were non-trade in nature, unsecured and were repayable on demand while request for payment will only be made when the Cheergain Group has excess cash to repay. The amount was interest bearing, during the years ended December 31, 2017, 2016 and 2015, RMB306,537,000, RMB296,467,000 and RMB274,506,000, respectively, were charged by the immediate holding company.

20. BORROWINGS

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Bank borrowings, secured	-	255,144	1,625,254
Other borrowings, secured	5,529,332	5,000,027	2,826,685
	5,529,332	5,255,171	4,451,939
Less: Amounts due within one year or contain a repayable on demand clause shown under current liabilities	(1,789,332)	(1,395,171)	(1,501,939)
Amounts shown under non-current liabilities	3,740,000	3,860,000	2,950,000

Cheergain Group's borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Hong Kong dollar ("HK$")	-	37,900	29,230
United States dollar ("US$")	-	120,111	-

Bank borrowings

At December 31, 2016, the Cheergain Group had no fixed-rate bank borrowing.

At December 31, 2015, the Cheergain Group had a secured fixed-rate bank borrowing amounting to approximately RMB547,119,000 which was matured and fully settled during the year ended December 31, 2016.

As at December 31, 2016 and 2015, the interest rates of the Cheergain Group's variable-rate bank borrowings are based on base rate fixed by the People's Bank of China ("PBOC") plus a premium, Hong Kong Interbank Offered Rate ("HIBOR") plus a premium and London Interbank Offered Rate ("LIBOR") plus a premium. Details are as follows:

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Base rate fixed by PBOC plus a premium	-	97,133	1,048,905
HIBOR plus a premium	-	37,900	29,230
LIBOR plus a premium	-	120,111	-
Carrying amounts	-	255,144	1,078,135

20. BORROWINGS - continued

Bank borrowings - continued

As at December 2016 and 2015, the ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Cheergain Group's bank borrowings are as follows:

	2017	2016	2015
Effective interest rate:			
Fixed-rate bank borrowings	N/A	N/A	17.00%
Variable-rate bank borrowings	N/A	2.65% to 4.35%	2.02% to 11.16%

Other borrowings

The other borrowings are secured and have fixed interest rates ranging from 7.20% to 11.34%, 7.20% to 11.34% and 8.60% to 11.78% per annum as at December 31, 2017, 2016 and 2015, respectively. The weighted average rate is 10.18%, 10.22% and 11.42% per annum as at December 31, 2017, 2016 and 2015, respectively.

As at December 31, 2017, the Cheergain Group has four significant secured fixed rate other borrowings from three lenders, which are denominated in RMB, carrying interests in fixed rate ranging from 7.20% to 11.34% per annum. At December 31, 2017, the carrying amount of such other borrowings amount to RMB4,573,593,000 (RMB1,333,593,000 repayable within one year, RMB2,440,000,000 repayable one to two years and RMB800,000,000 repayable two to five years).

As at December 31, 2016, the Cheergain Group has four significant secured fixed rate other borrowings from three lenders, which are denominated in RMB, carry interests in fixed rate arranging from 7.4% to 11.34% per annum. At December 31, 2016, the carrying amount of such other borrowings amount to RMB4,628,513,000 (RMB768,513,000 repayable within one year, RMB2,060,000,000 repayable one to two years and RMB1,800,000,000 repayable two to five years).

As at December 31, 2015, the Cheergain Group has one significant secured fixed rate other borrowing from one lender, which are denominated in RMB, carrying interests in fixed rate of 11.34% per annum. At December 31, 2015, the carrying amount of such other borrowings amount to RMB1,645,605,000 (RMB5,605,000 repayable within one year, RMB328,000,000 repayable one to two years and RMB1,312,000,000 repayable two to five years).

21. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Fair value adjustment of investment properties RMB'000	Other temporary differences RMB'000	Total RMB'000
At January 1, 2015	10,014,163	59,128	10,073,291
Charged to profit or loss (note 7)	433,830	-	433,830
At December 31, 2015	10,447,993	59,128	10,507,121
Charged to profit or loss (note 7)	269,651	-	269,651
At December 31, 2016	10,717,644	59,128	10,776,772
Charged to profit or loss (note 7)	64,245	-	64,245
At December 31, 2017	10,781,889	59,128	10,841,017

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalised in investment properties under construction, properties under development for sales and properties held for sales which were deductible for tax purpose in the year those costs incurred.

The Cheergain Group had no significant unprovided deferred tax during the Relevant Periods, and at the end of the Relevant Periods.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. As at December 31, 2017, 2016 and 2015, deferred taxation has not been provided for in the Consolidated Financial Information in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB842,236,000, RMB858,396,000 and RMB862,574,000, respectively, and as the Cheergain Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. SHARE CAPITAL

	Number of shares	Share capital US$
Ordinary shares of US$1 each		
Authorised:		
At January 1, 2015, December 31, 2015, 2016 and 2017	50,000	50,000
Issued and fully paid:		
At January 1, 2015, December 31, 2015, 2016 and 2017	4	4

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Cheergain Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Cheergain Group's consolidated statements of cash flows as cash flows from financing activities.

	Amounts due to immediate holding company RMB'000	Amount due to ultimate controlling shareholder RMB'000	Borrowings RMB'000	Total RMB'000
At January 1, 2015	2,968,989	1,112,009	4,271,425	8,352,423
Financing cash flows (note)	(216,470)	566,608	(265,093)	85,045
Financing costs recognised (Note 6)	274,506	-	443,236	717,742
Effect of foreign currency exchange difference recognised to profit or loss	-	-	2,371	2,371
At December 31, 2015	3,027,025	1,678,617	4,451,939	9,157,581
Financing cash flows (note)	(259,044)	234,144	278,111	253,211
Financing costs recognised (Note 6)	296,467	-	535,171	831,638
Effect of foreign currency exchange difference recognised to profit or loss	-	-	(10,050)	(10,050)
At January 31, 2016	3,064,448	1,912,761	5,255,171	10,232,380
Financing cash flows (note)	(266,521)	170,648	(311,081)	(406,954)
Financing costs recognised (Note 6)	306,537	-	590,872	897,409
Effect of foreign currency exchange difference recognised to profit or loss	-	-	(5,630)	(5,630)
At December 31, 2017	3,104,464	2,083,409	5,529,332	10,717,205

Note: The financing cash flows represented the new borrowings raised, advance from ultimate controlling shareholder and immediate holding company, repayment to immediate holding company, payment of finance costs and repayments of borrowings.

24. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, the contingent liabilities of the Cheergain Group were as follows:

Guarantee

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Cheergain Group's properties (Note)	492,352	483,114	796,954

24. CONTINGENT LIABILITIES - continued

Note: The guarantees were given to banks with respect to loans procured by the purchasers of the Cheergain Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the directors of Cheergain, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as current liabilities in the consolidated statements of financial position.

Legal disputes

As at December 31, 2017, 2016 and 2015, Cheergain Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Cheergain Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale in an aggregate amount of approximately RMB52 million, RMB62 million and RMB50 million and the withdrawal of bank deposits of approximately RMB6 million, RMB6 million and RMB3 million as at December 31, 2017, 2016 and 2015 respectively. In the opinion of the directors of Cheergain, the claims made by the construction contractors are mainly related to construction works that did not meet the required standards and pursuant to the terms of the construction contracts, the Cheergain Group has the right not to certify those construction work claimed by the contractors. In addition, the Cheergain Group has already made or is in the process of making counter claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Cheergain Group. The management of the Cheergain Group has sought advice from the independent legal advisors or internal legal counsel, as a result of the advice, the carrying amount of the Cheergain Group's provision of the construction cost liabilities is RMB69 million, RMB69 million and RMB73 million as at December 31, 2017, 2016 and 2015, respectively, in relation to the above mentioned construction contracts under dispute.

For those outstanding legal claims that are still in preliminary stage, according to the advice from the independent legal advisors or internal legal counsel, it is not possible to determine the final outcome at this stage, in relation to claims amounting to approximately RMB42 million, RMB55 million and RMB29 million in aggregate as at December 31, 2017, 2016 and 2015, respectively. Accordingly no further provision is required to be made in the Consolidated Financial Information. The directors of Cheergain is of the opinion that the Cheergain Group has reasonable ground to defend those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Cheergain Group.

25. OTHER COMMITMENTS

	2017	2016	2015
	RMB'000	RMB'000	RMB'000
Construction commitment contracted for but not provided	1,530,143	1,100,543	1,023,256

26. CAPITAL RISK MANAGEMENT

The Cheergain Group manages its capital to ensure that entities in the Cheergain Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Cheergain Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Cheergain Group consists of net debt, which includes the amount due to ultimate controlling shareholder and immediate holding company and borrowings as disclosed in notes 19 and 20 respectively, net of cash and cash equivalents and equity attributable to owners of Cheergain, comprising issued share capital, reserves and retained earnings. The directors of Cheergain monitors current and expected liquidity requirement as well as the summary compliance report on loan covenants regularly.

The directors of Cheergain reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of Cheergain, the Cheergain Group will balance its overall capital structure through payments of dividends, new shares issues, shares buy-backs and issue of new debts or redemption of existing debts.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	534,806	765,387	324,502
Financial liabilities			
Amortised cost	11,072,770	10,556,384	9,431,920

Financial risk management objectives and policies

The Cheergain Group's financial instruments include trade and other receivables, pledged bank deposits, bank balances, construction costs accruals, other payables and accruals, amounts due to ultimate controlling shareholder and immediate holding company, borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

27. FINANCIAL INSTRUMENTS - continued

Market risk

Foreign currency risk

The Cheergain Group's transactions are mainly denominated in RMB (which is the functional currency of respective group entities), except for certain pledged bank deposits, bank balances and borrowings which are denominated in HK$ and US$ as disclosed below. The Cheergain Group has not used any forward contract to hedge its exposure to currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. A significant depreciation/appreciation in the RMB against US$ and HK$ may have a material impact on the Cheergain Group's results.

As at the end of each of the reporting period, certain financial assets and financial liabilities of the Cheergain Group were denominated in HK$ and US$ which are currencies other than the functional currency of the relevant group entities. The carrying amounts of those foreign currency monetary items are set out below:

	HK$			US$		
	2017	2016	2015	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash	4,749	173,081	153,661	43	62	71
Borrowings	-	37,900	29,230	-	120,111	-

Sensitivity analysis

The Cheergain Group is mainly exposed to the currency of HK$ and US$ and the sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at each of the year end during the Relevant Periods for a 5% change in foreign currency rates. 5% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% against US$ and HK$ for that year. For a 5% weakening of RMB against US$ and HK$, there would be an equal but opposite impact on the post-tax profit for that year.

	HK$ impact			US$ impact		
	2017	2016	2015	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year	(237)	(6,759)	(6,222)	(2)	6,002	(4)

27. FINANCIAL INSTRUMENTS - continued

Market risk - continued

Interest rate risk

As at December 31, 2016 and 2015, the Cheergain Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 20 for details). The Cheergain Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate fixed by PBOC, HIBOR and LIBOR arising from the Cheergain Group's bank borrowings. The Cheergain Group currently does not have any interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at December 31, 2017, 2016 and 2015, the Cheergain Group's fair value interest rate risk relates primarily to its fixed-rate bank deposits and fixed-rate other borrowings (see note 20 for details). The Cheergain Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. In addition, the management monitors the interest rate movement for long term borrowings and will consider to exercise the redemption option of the fixed-rate senior notes if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings as at December 31, 2016 and 2015. The analysis is prepared assuming the financial instruments outstanding at the end of each of the year were outstanding for the whole year. A 1% increase or decrease is used in management's assessment of the reasonably possible change in interest rates.

If interest rates relating to the variable-rate borrowings of the Cheergain Group increase or decrease by 1%, finance costs would increase or decrease by approximately RMB2,551,000 and RMB10,781,000 for the years ended December 31, 2016 and 2015 respectively. Since all the Cheergain Group's finance costs had been capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales, there would be no effect on the Cheergain Group's post-tax profit for that year.

Liquidity risk

The Cheergain Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The management closely monitors the utilisation of bank and other borrowings and ensure compliance with loan covenants.

Having considered the factors and circumstances set out in note 1 to the Consolidated Financial Information, the directors are satisfied that the Cheergain Group will have sufficient liquidity to meet its cash flows requirements for the next twelve months from the end of each of the reporting period.

27. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

The following table details the Cheergain Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Cheergain Group can be required to pay. Specifically, bank borrowings at December 31, 2016 and 2015 with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each of the reporting period.

Liquidity table

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2017							
Construction costs accruals	N/A	207,660	-	-	-	207,660	207,660
Other payables and accruals	N/A	147,905	-	-	-	147,905	147,905
Amount due to ultimate controlling shareholder	N/A	2,083,409	-	-	-	2,083,409	2,083,409
Borrowings - fixed-rate	10.18%	2,241,356	2,702,680	1,314,250	-	6,258,286	5,529,332
Amount due to immediate holding company	Note	3,104,464	-	-	-	3,104,464	3,104,464
Financial guarantee contracts	N/A	492,352	-	-	-	492,352	-
		8,277,146	2,702,680	1,314,250	-	12,294,076	11,072,770
As at December 31, 2016							
Construction costs accruals	N/A	207,928	-	-	-	207,928	207,928
Other payables and accruals	N/A	116,076	-	-	-	116,076	116,076
Amount due to ultimate controlling shareholder	N/A	1,912,761	-	-	-	1,912,761	1,912,761
Borrowings - variable-rate	3.3%	258,695	-	-	-	258,695	255,144
Borrowings - fixed-rate	10.2%	1,590,116	2,320,834	1,861,039	-	5,771,989	5,000,027
Amount due to immediate holding company	Note	3,064,448	-	-	-	3,064,448	3,064,448
Financial guarantee contracts	N/A	483,114	-	-	-	483,114	-
		7,633,138	2,320,834	1,861,039	-	11,815,011	10,556,384
As at December 31, 2015							
Construction costs accruals	N/A	214,390	-	-	-	214,390	214,390
Other payables and accruals	N/A	59,949	-	-	-	59,949	59,949
Amount due to ultimate controlling shareholder	N/A	1,678,617	-	-	-	1,678,617	1,678,617
Borrowings - variable-rate	5.2593%	380,723	286,813	541,301	-	1,208,837	1,078,135
Borrowings - fixed-rate	12.3403%	1,479,704	672,709	1,867,415	-	4,019,828	3,373,804
Amount due to immediate holding company	Note	3,027,025	-	-	-	3,027,025	3,027,025
Financial guarantee contracts	N/A	796,954	-	-	-	796,954	-
		7,637,362	959,522	2,408,716	-	11,005,600	9,431,920

Note: During the years ended December 31, 2017, RMB306,537,000 (2016: RMB296,467,000 and 2015: RMB274,506,000) were charged by the immediate holding company on the basis that finance cost incurred by immediate holding company for the fixed-rate senior note and the convertible bonds.

27. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

Liquidity table - continued

As at December 31, 2016, bank borrowings with a repayment on demand clause were included in the "on demand or less than 1 year" time band in the above maturity analysis. The aggregate undiscounted principal amounts were approximately RMB255,011,000, which is, based on scheduled repayment dates set out in loan agreement, repayable within one year. Taking into account the Cheergain Group's financial position, the directors of Cheergain do not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. At that time, the aggregate principal and interest cash outflows would amount to approximately RMB288,047,000.

As at December 31, 2015, bank borrowings with a repayment on demand clause were included in the "on demand or less than 1 year" time band in the above maturity analysis. The aggregate undiscounted principal amounts were approximately RMB97,000,000, which is, based on scheduled repayment dates set out in loan agreement, repayable within one year. Taking into account the Cheergain Group's financial position, the directors of Cheergain did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. At that time, the aggregate principal and interest cash outflows would amount to approximately RMB101,195,000 and repayable within one year.

For properties that are still under construction, the Cheergain Group typically provides financial guarantees to banks in connection with its customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. Such guarantees will expire upon the completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. The amounts included above for financial guarantee contracts are the maximum amounts the Cheergain Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each of the reporting period, the Cheergain Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each of the reporting period.

Credit risk

As at December 31, 2017, 2016 and 2015, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Cheergain Group's maximum exposure to credit risk which will cause a financial loss to the Cheergain Group arises from the amount of contingent liabilities in relation to financial guarantee issued by the Cheergain Group as disclosed in note 24.

The Cheergain Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

27. FINANCIAL INSTRUMENTS - continued

Credit risk - continued

For the financial guarantees provided to banks in connection with customers' borrowing of mortgage, if a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Cheergain Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstance, the Cheergain Group is able to retain the customer's deposit and sell the property to recover any amount paid by the Cheergain Group to the bank. In this regard, the directors of Cheergain consider that the Cheergain Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Fair value measurement of financial instruments

Fair value of financial assets and liabilities that are not measured on a recurring basis

The directors of Cheergain consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Information approximate their fair values.

28. OPERATING LEASE COMMITMENTS

As lessor

At the end of each of the reporting period, the Cheergain Group had contracted with tenants for the following future minimum lease payments:

	2017	2016	2015
	RMB'000	RMB'000	RMB'000
Within one year	613	583	462
In the second to fifth year inclusive	2,545	2,474	2,407
After the fifth year	2,022	2,706	3,356
	5,180	5,763	6,225

Leased properties have committed tenants of ten years.

28. OPERATING LEASE COMMITMENTS - continued

As lessee

Minimum lease payments paid under operating leases during the year:

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Premises	3,765	3,552	3,486

At the end of each of the reporting period, the Cheergain Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 RMB'000	2016 RMB'000	2015 RMB'000
Within one year	3,877	2,023	3,167
In the second to fifth year inclusive	5,695	-	1,723
	9,572	2,023	4,890

Operating lease payments represent rentals payable by the Cheergain Group for certain of its office premises. Leases are negotiated and are fixed for an average of three years.

29. RETIREMENT BENEFITS PLANS

The Cheergain Group participates in a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Cheergain Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Cheergain Group and the employees based on 5% of the employees' salaries capped at HK$30,000 per annum as effective from June 1, 2014) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Cheergain Group in an independently administered fund. The Cheergain Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant laws and regulations in the PRC, Cheergain's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Cheergain Group's PRC subsidiaries contribute funds to the scheme to fund the retirement benefits of the employees which are calculated on a certain percentage of the average employee salary as agreed by local municipal government. The obligation of the Cheergain Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total contributions incurred in this connection for the years ended December 31, 2017, 2016 and 2015 were approximately RMB5,421,000, RMB6,026,000 and RMB5,779,000 respectively.

30. RELATED PARTY TRANSACTIONS

Apart from the related party transaction as disclosed elsewhere in the consolidated financial information, the Cheergain Group had the following transactions during the Relevant Periods:

Nature of transactions	2017 RMB'000	2016 RMB'000	2015 RMB'000
Office premises expenses (Note)	28	32	28

Note: On July 22, 2014, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of Cheergain Group in Hong Kong was entered into between the landlord, a subsidiary of Pacific Concord Holding Limited ("PCH") of which the ultimate shareholder is Mr. Wong, and the Cheergain Group. The Tenancy Agreement is effective from August 1, 2014 to July 31, 2017 and a new agreement was entered which is effective from August 1, 2017 to July 31, 2020.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Cheergain Group per which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

Compensation of key management personnel

The directors of Cheergain considered that the directors are the key management of the Cheergain Group. During the Relevant Periods, the directors of Cheergain did not receive any remuneration from the Cheergain Group.

31. LIST OF PRINCIPAL SUBSIDIARIES OF CHEERGAIN

Details of the Cheergain's principal subsidiaries as at December 31, 2017, 2016 and 2015 are as follows:

Name of subsidiaries	Place and date of in corporation/ establishment	Equity interest attributable to the Cheergain Group as at December 31, 2017, 2016 and 2015 and date of this report	Issued and fully paid registered and paid-up capital as at December 31, 2017, 2016 and 2015 and date of this report	Principal activities
上海靜安協和房地產有限公司 Shanghai Jingan - Concord Real Estate Co., Ltd.#	PRC February 3, 1993	100%	US$68,000,000	Property development and investment
上海閔行協和房地產經營有限公司 Shanghai Minhang Concord Property Development Co., Ltd.#	PRC June 16, 1997	100%	US$99,600,000	Property development and investment

31. LIST OF PRINCIPAL SUBSIDIARIES OF CHEERGAIN - continued

Name of subsidiaries	Place and date of in corporation/ establishment	Equity interest attributable to the Cheergain Group as at December 31, 2017, 2016 and 2015 and date of this report	Issued and fully paid registered and paid-up capital as at December 31, 2017, 2016 and 2015 and date of this report	Principal activities
上海盈多利物業管理有限公司 Shanghai Yingduoli Property Management Co., Ltd.##	PRC June 22, 1999	100%	RMB500,000	Property management service
重慶茵威房地產有限公司 Chongqing Ace Blossom Real Estate Co., Ltd.#	PRC September 29, 2007	100%	US$50,000,000	Property development and investment
重慶半山一號房地產有限公司 Chongqing Mid-Levels No. 1 Real Estate Co., Ltd.#	PRC September 29, 2007	100%	US$50,000,000	Property development and investment
重慶山頂一號房地產有限公司 Chongqing Peak No. 1 Real Estate Co., Ltd.#	PRC September 29, 2007	100%	US$50,000,000	Property development and investment
重慶江灣房地產有限公司 Chongqing Riverside Real Estate Co., Ltd.#	PRC September 29, 2007	100%	US$50,000,000	Property development and investment
重慶兩江房地產有限公司 Chongqing Yangtze-Jialing River Real Estate Co., Ltd.#	PRC September 29, 2007	100%	US$50,000,000	Property development and investment
重慶正天投資有限公司 Chongqing Zhengtian Investment Ltd.##	PRC December 21, 2015	100%	RMB51,000,000	Property development and investment

Wholly foreign owned enterprises registered in the PRC.

A limited liability company registered in the PRC.

The English names stated above are for identification purpose only.

The above table lists the subsidiaries of the Cheergain Group which, in the opinion of the directors of Cheergain, principally affected the results or assets of the Cheergain Group. To give details of other subsidiaries would, in the opinion of the directors result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the Relevant Periods.